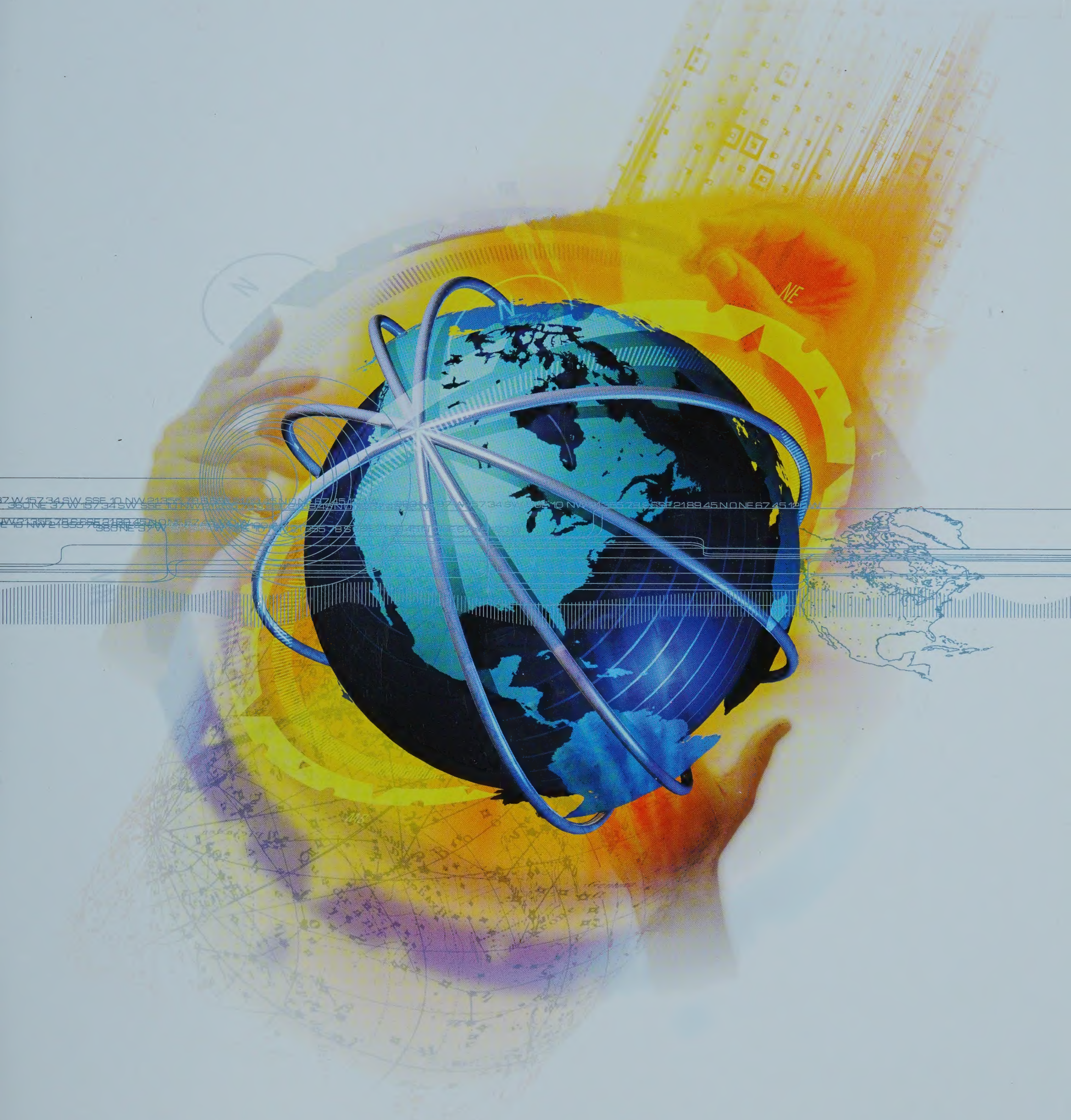
Expanding Our North American Footprint

ENBRIDGE



2001 Annual Report

In 2001, Enbridge continued to build on its core businesses in Canada and the United States, to expand our North American footprint. The Company also grew internationally.

ENBRIDGE*

1 **January** Enbridge announced its participation in a proposed pipeline to deliver East Coast offshore natural gas to markets in New Brunswick, Quebec and Ontario. Enbridge has a 50% interest in the proposed Cartier Pipeline.

2 **March** Enbridge announced the acquisition of Midcoast Energy Resources, Inc. of Houston. Midcoast – renamed Enbridge Midcoast Energy, Inc. – gathers, transports, processes and markets natural gas and other products through over 80 company-owned pipelines, primarily in the United States Gulf Coast and Midcontinent regions. The acquisition, with a total transaction value of approximately $900 million, significantly expanded Enbridge's presence in the United States, and Houston became headquarters for Enbridge's United States energy delivery business activities.

3 **April** Enbridge announced its participation in construction and operation of a wind power project in southwest Saskatchewan. The $20 million SunBridge Wind Power Project will generate more than 11 megawatts of electricity for distribution through the Saskatchewan power grid. Enbridge has a 50% interest and operates the facility.

4 **May** The National Energy Board approved Phase II of the Terrace Expansion program for Enbridge's crude oil mainline. The $100 million expansion adds approximately 40,000 barrels per day of capacity, and was in service at the beginning of 2002.

5 **June** Enbridge announced that, beginning in late 2002, it will transport up to 10,000 barrels per day of bitumen from PanCanadian's Christina Lake oil sands project to Enbridge's Kirby Lake Pipeline Terminal. There the bitumen will be blended with diluent and transported on the Enbridge Athabasca Pipeline to the Hardisty, Alberta, terminal.

6 **June** Enbridge received industry notification to proceed with Phase III of the Terrace Expansion program. The $450 million Phase III will add 140,000 barrels per day of capacity to the Enbridge crude oil mainline with an anticipated in-service date of mid-2003.

7 **July** Enbridge entered into a partnership with BC Gas to develop and operate a new company to provide meter reading, billing, call centre, field work appointment scheduling and other customer services. The company, called CustomerWorks, will initially serve more than 3.5 million customers, including customers of Enbridge's gas distribution business and BC Gas.

8 **September** Enbridge Atlantic Energy Services Inc. was created to sell natural gas commodity contracts to customers in New Brunswick.

9 **September** Lakehead Pipe Line changed its name to Enbridge Energy Partners, L.P., and its New York Stock Exchange listing symbol to EEP. Enbridge operates and has a 13.6% interest in the Partnership.

10 **October** Enbridge announced it was purchasing natural gas gathering, treating and transmission assets in south Texas. The US$50 million acquisition was the first to be completed by Enbridge's Houston-based Transportation South business group, created at the time of the Midcoast Energy acquisition.

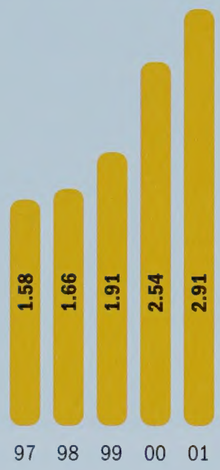
11 **October** Enbridge listed and began trading on the New York Stock Exchange. The listing supports Enbridge's objectives of increasing its North American footprint and of expanding its United States shareholder base. Enbridge shares trade under the symbol ENB.

12 **November** Enbridge announced plans to acquire a 25% interest in Compañia Logistica de Hidrocarburos CLH, S.A., Spain's largest refined products transportation and storage business.

HIGHLIGHTS

Annual growth in earnings per share has averaged 16.5% since 1997.

Earnings Per Common Share
(dollars per share)



Dividends Per Common Share
(dollars per share)

Financial *(millions of dollars, except per share amounts)*	**2001**	2000	1999
Earnings Applicable to Common Shareholders			
Continuing Operations	**413.2**	357.7	287.9
Discontinued Operations	**45.3**	34.6	–
	458.5	392.3	287.9
Per Common Share Amounts *(dollars per share)*			
Earnings – Continuing Operations	**2.63**	2.32	1.91
Earnings – Discontinued Operations	**0.28**	0.22	–
	2.91	2.54	1.91
Cash Provided from Operating Activities	**0.85**	1.71	3.28
Dividends	**1.400**	1.270	1.195
Cash Provided from Operating Activities	**133.9**	263.5	495.1
Common Share Dividends Paid	**227.5**	202.1	186.4
Return on Average Common Shareholders' Equity	**18.6%**	18.6%	14.3%
Debt to Debt Plus Shareholders' Equity at Year End	**71.2%**	67.8%	67.4%

Operating	**2001**	2000	1999
Energy Transportation[1]			
Deliveries *(thousands of barrels per day)*	**2,196**	2,164	2,023
Barrel miles *(billions)*	**699**	743	696
Average haul *(miles)*	**872**	941	946
Energy Distribution[2]			
Volume of gas distributed *(billion cubic feet)*	**427**	421	402
Number of active customers *(thousands)*	**1,571**	1,520	1,466
Degree day deficiency[3] *(degrees Celsius)*			
Actual	**3,743**	3,569	3,460
Forecast based on normal weather	**3,816**	3,929	4,060

1 Energy Transportation operating highlights include the statistics of the 13.6% owned Lakehead System.

2 Highlights of Energy Distribution reflect the results of Enbridge Consumers Gas and other gas distribution operations on a one quarter lag basis for the years ended September 30, 2001, 2000 and 1999. Energy Distribution volumes and the number of active customers are derived from the aggregate of buy/sell and transportation service supply arrangements.

3 Degree day deficiency is a measure of coldness. It is calculated by accumulating for each day in the fiscal period the total number of degrees by which the daily mean temperature fell below 18 degrees Celsius. The figures given are those accumulated in the Toronto area.

"In this year's Letter to Shareholders, Enbridge Board Chair Don Taylor and I would like to share a few observations and tell you how we're progressing on several fronts. We hope that you find this a useful summary of our goals and objectives, how Enbridge differs from its peers, how we did in 2001, and where we are headed in the next few years. If there's one message that we would like to leave with you it's that the Enbridge management team is very excited about the Company's prospects and our ability to continue to provide superior returns to you, our shareholders."

Patrick D. Daniel, President & Chief Executive Officer
Enbridge Inc.

Our Vision and Value Proposition

At Enbridge, we are experts in energy asset management – oil pipelines, natural gas pipelines, gas and electricity distribution systems, and terminalling, tankage and storage systems. Our vision is to continue to build on these core businesses and become one of the top energy delivery companies in North America.

To achieve our vision we will pursue profitable growth with the same disciplined, low-risk approach to investing that shareholders have become accustomed to. That means we will continue to create value through infrastructure-based investments, operational excellence, and by being a true partner with our customers.

Our goal is clear – to provide superior returns to shareholders. Over the last seven years we have demonstrated our ability to do just that, generating compound annual growth in shareholder returns of 21%, which well exceeds comparable indices.

There are a number of characteristics that set Enbridge apart from its peers and provide shareholders with a unique value proposition. To begin with, Enbridge is focused on building, acquiring and managing infrastructure assets. The vast majority of our operations are regulated, with limited exposure to swings in commodity prices, and we have no trading and no material marketing activities. This makes for a steady and predictable earnings stream which is a key to our low-risk profile.

At the same time, our overall growth has been equal to or exceeds that of companies with higher risk operations. This is best illustrated by our 2001 financial results: we delivered record earnings while many Canadian and United States companies experienced difficulties. This combination of low risk and strong growth is the essence of our value proposition.

FAQ

ANSWERS TO SOME FREQUENTLY ASKED QUESTIONS

WHY WOULD ENBRIDGE MAKE AN INVESTMENT IN SPAIN?

Our 25% interest in CLH fits well with our business strategies. CLH is Spain's largest refined products transportation and storage business, and leverages our core business expertise. CLH is the dominant industry participant in its market, and we view the investment as relatively low risk – one that will provide attractive returns, has potential for additional investments in the region, and enhances our strategy of affiliation with key global players.

We have unparallelled competitive positions within our core businesses. Our crude oil and liquids mainline system transports more than 60% of all Western Canadian liquids production, and has a dominant position in terms of deliveries to the prime Midwest market in the United States. Our natural gas distribution franchise in Ontario is Canada's largest, serving more than 1.5 million customers and growing every year.

Our approach is to intimately understand our business environment and our customers' needs. Our customers recognize Enbridge as a leader in the transportation and distribution of energy because we offer innovative business solutions that benefit both our shareholders and our customers.

Enbridge once again generated a superior rate of return on common equity: 18.6% in 2001.

In consultation with stakeholders, Enbridge proactively addresses safety, environment and community issues. It is critical that we continue to be a good corporate citizen and community partner.

We have a seasoned management team and highly skilled employees with a proven track record, and personal incentive programs that align employees with corporate objectives for growth. Finally, we believe that we have developed a culture that encourages success.

2001 — A Record Year

All of these elements combined to produce another record year for Enbridge in 2001.

Earnings applicable to common shareholders were $458.5 million, or $2.91 per share, in 2001 compared with $392.3 million, or $2.54 per share, in 2000. Once again we delivered double-digit earnings per share growth. What's most significant is that we achieved this in a very competitive and challenging environment, particularly with depressed liquids and natural gas supply from Western Canada, as well as temporarily reduced demand for these products in the United States market. We are well positioned to improve upon our track record when these fundamentals turn around, and our view is that they will.

Our focus on profitable investing continued to pay off as we once again generated a superior return on common shareholders' equity: 18.6% in 2001.

We continued to increase dividend payments to our shareholders. Dividends were increased in January 2001 by 8.5%, to $0.35 per common share per quarter, and again in January 2002 by 8.6%, to $0.38 per common share per quarter.

WHAT WILL BE THE IMPACT OF THE CHANGE THAT STANDARD & POOR'S MADE TO YOUR CREDIT RATING?

Our rating remains a strong investment grade, enabling us to continue to pursue our growth plans, even with S&P's downgrade. S&P's main concern was our leverage, and while we are comfortable with our debt/equity levels, considering them appropriate for our business, we also recognize that in the current business environment there is increased scrutiny on and concern about corporate debt. Accordingly, we plan to reduce our debt leverage to between 60% and 65%.

DID ENBRIDGE EXPERIENCE ANY DISAPPOINTMENTS IN 2001?

Liquids volumes, although up from 2.164 million barrels per day in 2000 to 2.196 million barrels per day in 2001, were less than anticipated. In addition, natural gas volumes from the Western Canadian basin were not as strong as expected. However, the prospects for these and other parts of our core businesses remain excellent, as we believe both liquids and natural gas volumes will improve.

In 2001, we invested $1.3 billion dollars. This included expenditures on core businesses as well as on new opportunities that extend our geographic presence and our growth platform.

Key Strategic Thrusts

Our key strategic thrusts are summarized as follows:

- We enhance profitability through adoption and maintenance of incentive-based rate mechanisms, and then manage for operational excellence to maximize the benefits for customers and shareholders.
- We aggressively develop our core businesses – liquids and natural gas pipelines, and natural gas distribution – through expansion and geographic extension, in North America and internationally.
- We develop and acquire businesses that are complementary to our core operations. The objective is to extend our reach to other parts of the energy value chain.

We are also emphasizing three specific areas within the context of these strategic thrusts. We are committed to increasing our presence in key North American energy markets, particularly in the United States. We will increase the scale of our operations, which includes a focused examination of acquisition opportunities that will build on existing strengths. And we will develop and apply new technologies – including new energy technologies – to enhance our competitive advantage.

Progress on Strategies

A number of recent accomplishments significantly advanced these strategies. They are detailed on the inside front cover of this report. However, we would like to highlight three particular initiatives that could have a significant impact on the Company's future.

- Increasing our North American footprint: In 2001, we made significant progress on extending our geographic footprint to the Midcontinent and Gulf Coast with the acquisition of Midcoast Energy Resources of Houston. We are now well positioned to increase acquisition activity with a focus on those areas in the United States where Midcoast already has a presence.
- Positioning for oil sands growth: Enbridge is developing a dominant position in the Alberta oil sands. We continued in 2001 to add new customers to the Athabasca pipeline system and establish Enbridge as the primary transporter of new volumes from the region. We also are investigating the feasibility of two new projects that would facilitate delivery of an increased supply of bitumen from the oil sands – one is a potential new pipeline to the West Coast and the other is a hot bitumen line from the oil sands to Edmonton.

WHAT IS YOUR OUTLOOK FOR CRUDE OIL VOLUMES, AND WHAT WILL BE THE IMPACT ON YOUR PIPELINES?

Although throughput volumes were less than expected in 2001, we know oil sands volumes are going to increase, and soon. Given the number of oil sands and heavy oil projects under way and planned for northern Alberta, we are confident of significant volume growth beginning in the next few years. That is why we constructed Phase II of the Terrace Expansion program in 2001, and our customers gave us the approval to proceed to develop Phase III. These and other expansion initiatives will be needed, and will provide significant growth opportunities for our crude oil mainline and our Athabasca pipeline and terminal facilities.

- Leveraging gas transmission: Our relatively recent investments in the Alliance and Vector natural gas pipelines form the base for our move into new gas-related areas – acquisition of gas infrastructure in the U.S. and participation in frontier basins such as the Mackenzie Delta, Prudhoe Bay and Canada's East Coast.

We regularly review our strategies and make changes in course where necessary. In January 2002, we announced the sale of our retail energy services business for $1 billion cash. Although retail energy services was certainly part of our overall energy strategy, it was not part of our core objective which is to develop, acquire and manage infrastructure assets. The sale, which is expected to close in the second quarter of 2002, allows us to apply our capital and other resources to core opportunities, and strengthen our financial position.

Enbridge has an abundance of opportunities for growth, including greenfield developments and acquisitions.

Looking to the Future

Our goal is to continue to profitably position your Company for future growth, while carefully balancing risk and reward. We have an abundance of opportunities, both in terms of greenfield developments and acquisitions. In fact, opportunities for acquisitions of infrastructure assets are expected to be even more plentiful given divestiture plans recently announced by some of our United States counterparts.

We have an ideal structure to acquire assets in the United States. Enbridge Energy Partners – our United States master limited partnership – provides a low-cost-of-capital vehicle to compete in the acquisition market, while allowing us to preserve our own capital. More importantly, it provides Enbridge with substantial upside, through an incentive mechanism that provides for higher participation in the Partnership's earnings as they grow.

Our liquids transportation and natural gas distribution businesses continue to have built-in growth opportunities. Significant growth in volumes from the oil sands is anticipated over the next decade and our crude oil mainline, Athabasca pipeline and terminal facilities are all expected to require ongoing expansion. Enbridge Consumers Gas continues to add more than 50,000 new customers per year.

We are actively pursuing participation in frontier gas pipeline development, whether it be from Alaska, the Mackenzie Delta, Canada's East Coast offshore or the Gulf of Mexico. We believe we are particularly well positioned for northern development, since we are the only Canadian company with extensive operating experience in the North.

WHAT HAS ENABLED ENBRIDGE TO ACHIEVE STRONG RESULTS WHILE SOME OF YOUR UNITED STATES PEERS HAVE EXPERIENCED DIFFICULTIES?

Although Enbridge shares some similarities with some of our U.S. peers – primarily in terms of energy delivery – we also differ significantly in a number of respects. The major difference is that we have little commodity exposure or marketing operations. We are first and foremost an asset manager. We also have throughput protection as a result of our incentive tolling agreement with shippers; we are diversified in terms of geography and the types of energy we deliver; and we have a steady and predictable earnings stream.

We will continue to assess new technologies. That includes the development and implementation of information technologies that support operations, employees, business partners and customers. In addition, we will assess and consider investment in emerging and renewable energy technologies. Our strategic alliance for development of fuel cells for residential use is one example; the SunBridge Wind Power Project in Saskatchewan and the alliance with Ensyn to develop heavy oil upgrading technology are two others.

We will continue to seek low-risk international projects to supplement our North American growth, with a target of having international investments contribute between 10% and 15% of net earnings. We evaluate international projects carefully, and are very focused and disciplined geographically and economically, as evidenced by our recent acquisition in Spain.

Our prospects for growth are supported by the Company's financial strength. Our capital structure reflects strong business fundamentals and unparallelled core businesses, and we intend to reduce our targeted debt leverage from the current range of between 65% and 70% to between 60% and 65%.

Our prospects for growth are also enhanced by the strength of our people. We know that a key component of our competitive advantage is the dedication, hard work and skills of our employees. On behalf of the Board, we thank all of them for their continuing efforts and enthusiasm.

We also extend our thanks to André Caillé, who left our Board in January 2002 after five years of service. And we welcome David Arledge and Michel Gourdeau who joined the Board that same month. We look forward to their counsel and experience as all of us work together to achieve our common goal – adding value for Enbridge shareholders.

On behalf of the Board of Directors:

Donald J. Taylor Chair of the Board of Directors February 25, 2002	Patrick D. Daniel President & Chief Executive Officer

WHAT BENEFITS DO YOU SEE FROM THE SALE OF YOUR RETAIL ENERGY SERVICES BUSINESS?

Although we built a successful retail business in a deregulated environment (and the $1 billion sale price reflects that), we don't need it to continue our profitable growth. We probably could have continued making modest progress in the business, but significant resources are still required to prove out the business model. The timing was right for us to sell the retail business and concentrate on our core strengths of energy transportation and distribution, which are far less sensitive to economic downturns, and which we believe offer greater prospects for growth in shareholder value.

When used in this annual report, the words "anticipate", "expect", "project", "believe", "estimate", "forecast" and similar expressions are intended to identify forward looking statements, which include statements relating to pending and proposed projects. Such statements are subject to certain risks, uncertainties and assumptions pertaining to operating performance, regulatory parameters, weather and economic conditions and, in the case of pending and proposed projects, risks relating to design and construction, regulatory processes, obtaining financing and performance of other parties, including partners, contractors and suppliers.

Enbridge is a leader in energy transportation and distribution, in North America and internationally. The Company owns and operates the world's longest crude oil and liquids pipeline, and Canada's largest natural gas distribution company.

The Enbridge Corporate Leadership Team

(left to right)

Dan C. Tutcher
Group Vice President,
Transportation South

Stephen J.J. Letwin
Group Vice President,
Distribution & Services

Derek P. Truswell
Group Vice President
& Chief Financial Officer

Patrick D. Daniel
President & Chief Executive Officer

Stephen J. Wuori
Group Vice President,
Planning & Development

J. Richard Bird
Group Vice President,
Transportation North

Bonnie D. DuPont
Group Vice President,
Corporate Resources

Mel F. Belich
Group Vice President,
International

WHAT WE DO AND WHERE WE DO IT

Enbridge's vision is to be a world-class energy delivery company. The management of assets is a key element of Enbridge's business, along with creating value for shareholders through growth, operational excellence, incentive mechanisms and innovative technology.

Energy Transportation North

Liquids Pipelines
- Enbridge Pipelines Inc.
- Enbridge Pipelines (NW) Inc.
- Enbridge Pipelines (Athabasca) Inc.
- Enbridge Pipelines (Saskatchewan) Inc.

Natural Gas Pipelines
- Alliance Pipeline Limited Partnership (21.4%)
- Vector Pipeline Limited Partnership (45%)
- Cartier Pipeline – proposed (50%)

Other
- AltaGas Services Inc. (40%)
- Aux Sable Liquid Products Inc. (21.4%)

Energy Transportation South

- Enbridge Energy Partners, L.P. (13.6%)
  - Enbridge Pipelines (North Dakota) L.L.C.
  - Enbridge Pipelines (East Texas) L.L.C.
- Enbridge Midcoast Energy, Inc.
- Enbridge Pipelines (Toledo) Inc.
- Mustang Pipe Line Partners (30%)
- Chicap Pipe Line Company (22.8%)
- Frontier Pipeline Company (77.8%)

Energy Distribution

- Enbridge Consumers Gas
  - Gazifère Inc. — an Enbridge Company
  - Niagara Gas Transmission Limited — an Enbridge Company
  - St. Lawrence Gas Company, Inc. — an Enbridge Company
- Noverco Inc. (32%), which owns:
  - Gaz Métropolitain and Company, Limited Partnership (77%) which owns:
    - Vermont Gas Systems, Inc. (100%)
    - TQM Pipeline and Company, Limited Partnership (50%)
- Enbridge Gas New Brunswick Limited Partnership (63%)
- Cornwall Electric — an Enbridge Company
- Enbridge Commercial Services Inc.
- CustomerWorks Limited Partnership

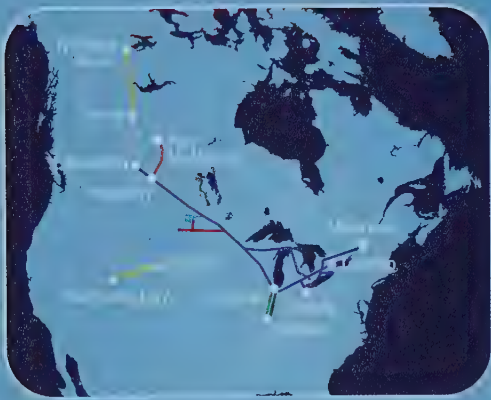
International

- Enbridge International Inc.
- Oleoducto Central S.A. (24.7%)
- Compañia Logistica de Hidrocarburos CLH, S.A. (25%)
- Enbridge Technology Inc.

Sustainable Development and Other

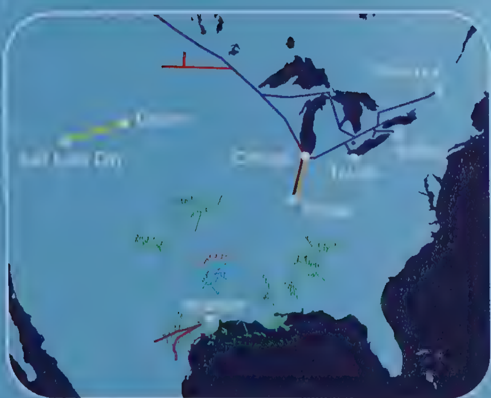
- SunBridge Wind Power Project (50%)
- Global Thermoelectric Inc. (strategic alliance)
- Inuvik Gas Ltd. (33⅓%)
- Tidal Energy Marketing Inc. (50%)
- NetThruPut Inc. (52%)

ENBRIDGE



Liquid Hydrocarbon Pipelines

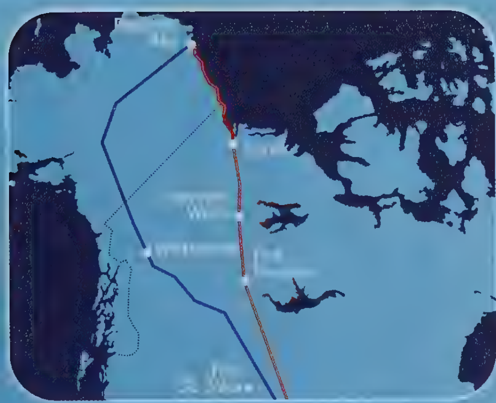
Gas Pipelines & Canadian Midstream



Transportation South

Energy Distribution

Northern Gas Development



International

Energy Transportation North

- System deliveries averaged 2.2 million barrels per day of crude oil and natural gas liquids.
- Enbridge continued to expand capacity on its crude oil mainline system in anticipation of growing production volumes from oil sands and heavy oil projects in northern Alberta. Terrace II Expansion was placed in service in early 2002, and shipper approval was received to proceed with development of Terrace III Expansion.
- Construction began on facilities to connect bitumen from Petro-Canada's MacKay River project and PanCanadian's Christina Lake oil sands project for transportation on the Enbridge Athabasca pipeline system beginning in 2002.
- Consolidation of pipeline and gas distribution control operations at the new Edmonton Control Centre improved efficiencies while ensuring safety and system integrity.
- The Alliance and Vector natural gas pipelines completed their first full year of operations.

- Focus on operational excellence as a competitive advantage.
- Be responsive to customers' issues, concerns and needs, and identify longer term opportunities to work with existing and potential customers to provide value-added solutions.
- Work with customers to pursue system-wide expansions to address continued growth in oil sands supply potential.
- Maintain and enhance positive and constructive relationships with stakeholders, including landowners, aboriginal peoples, communities, governments, regulators and customers.
- Identify and pursue new business opportunities.

- Continue to enhance profitability through incentive-based tolling mechanisms, and manage for operational excellence.
- Pursue business development priorities including successful completion of the Terrace expansions, post-Terrace mainline expansion, Athabasca Pipeline development, additional oil sands pipeline development, PADD IV corridor development, liquids pipeline acquisitions, the "West to East" natural gas pipeline strategy, East Coast gas pipelines, gas storage and gas services.
- Position Enbridge to be a major participant in the development of a northern pipeline or pipelines to transport Alaskan and Mackenzie Delta natural gas.

Energy Transportation South

- Enbridge completed the Midcoast Energy Resources acquisition which provides an expanded platform for aggressive United States growth. That, combined with the rebranding of Lakehead and the move of the Enbridge Energy Partners head office to Houston, significantly strengthened Enbridge's presence in the United States.
- Enbridge acquired additional assets and interests in United States pipelines, including additional natural gas gathering, treating, processing and transmission assets in Texas.

- Continue to expand Enbridge's North American footprint, with particular emphasis on growth in the United States.
- Continue growth of the Enbridge Midcoast Energy asset base, particularly with respect to new gas pipeline facilities to serve cogeneration projects.
- Use Enbridge Energy Partners, L.P. as the principal engine of growth in the United States. Grow the maste limited partnership with a combination of acquisitions and organic growth, including asset transfers from Enbridge Midcoast Energy, if appropriate.

- Continue to acquire crude oil and natural gas assets that complement Enbridge's existing United States businesses and are accretive to investors.
- Establish a foothold in crude oil pipeline developmer ownership and operation in the Gulf Coast region.

Energy Distribution

- Enbridge Consumers Gas added 51,000 customers in fiscal year 2001, the fifth year in a row the Company has exceeded the 50,000 mark bringing the total number of customers served in Ontario, Quebec and New York State to more than 1.5 million.
- Enbridge Gas New Brunswick delivered its first natural gas to customers, and continued to add to its customer base. An affiliate company, Enbridge Atlantic Energy Services, began marketing natural gas in the province.

- Enhance Enbridge Consumers Gas efficiency, improve customer service and position it for growth under Comprehensive Performance-Based Regulation.
- Capture additional value through optimization of storage assets.
- Participate in the development of the distributed generation market for electricity.
- Focus on increasing volumes of gas delivered. Increase capital efficiencies that reduce the cost to add new customers.

- Have a Comprehensive Performance-Based Regulation mechanism in place for the fiscal year 2003 and beyond.
- Transfer storage assets to a new company and implement a separate Performance-Based Regulation plan for these assets.

International

- Enbridge successfully completed its first full year as sole operator of the OCENSA crude oil pipeline in Colombia.
- Enbridge announced the purchase of a 25% interest in Compañia Logistica de Hidrocarburos CLH, S.A., Spain's largest refined products transportation and storage business.
- Enbridge Technology began a five-year contract to operate a natural gas transmission system in Oman, and finalized an agreement to operate the Jose oil storage and loading terminal in Venezuela for 10 years.

- Continue to follow a disciplined approach to international investments involving:
  - a focus on selected regions based on global trends in supply and demand,
  - increased emphasis on acquisitions,
  - an opportunistic approach to unique or strategic opportunities.
- Leverage the expertise and contact base that Enbridge International and Enbridge Technology have developed.
- Pursue affiliations with global energy players, and utilize alliances with key partners.

- Continue to supplement Enbridge's North American business activities by participating in projects that utilize technical and operating expertise in liquids and gas transportation, storage and terminalling.
- Continue stable revenue from the OCENSA investment in Colombia.
- Develop new projects for investment in Latin America and the Arabian Peninsula.

Sustainable Development and Other

- Enbridge and Suncor Energy constructed 17 wind turbines to generate electricity for the Saskatchewan power grid. The turbines were built at the SunBridge Wind Power Project site in southwestern Saskatchewan.
- Global Thermoelectric delivered its first residential fuel cell prototype to Enbridge for testing.

- Develop and apply new technologies, including emerging and renewable energy technologies, that have the potential to reshape energy markets.

- Continue to investigate emerging technologies that may have a significant impact on Enbridge in the longer term, and explore the potential for early stage investments in those technologies.
- Pursue technology developments that will maintain or increase heavy oil and synthetic crude oil production, and invest in emerging heavy oil upgrading technologies.

'TOGETHER WITH OUR EMPLOYEES WE HAVE THE ENERGY TO MAKE A DIFFERENCE'

At Enbridge, we believe that helping to improve the quality of life in the communities where our employees work and live is fundamental to our success. We strive to create a workplace where each of our nearly 6,000 employees has the opportunity to grow and achieve, and to contribute to the well-being of communities through volunteerism. We believe that creating a safe workplace for every Enbridge employee, contractor and visitor is more than just the right thing to do – it's critical to our business success. At Enbridge, we also believe business success comes from listening and responding to our stakeholders. Through information sharing, consultation and cooperation, we work with people to understand their issues and concerns and reach mutually beneficial solutions. At home and abroad, our *Statement on Business Conduct* outlines for our employees the expected standards of behaviour and ethics in all our business endeavours. In keeping with our commitment to transparency and corporate social responsibility, in January 2002 Enbridge adopted the internationally recognized *Voluntary Principles on Security and Human Rights*, which deal with responsible corporate action in "zones of conflict". Enbridge intends to append the *Voluntary Principles* to its *Statement on Business Conduct*, which will further strengthen an already strong code of conduct.

Left to right: Senator Joyce Fairbairn (second from left) launched the Books for Babies program at the Enbridge Literacy Lane – Word on the Street Festival in Calgary; Enbridge Consumers Gas President Jim Schultz accepted the Environmental Practice of the Year award at the Global Energy Awards ceremony; Environmental Initiatives Program funding supported the Pipestone Creek Interpretive Trail Project in the West Souris River Conservation District in Manitoba; members of the Enbridge Consumers Gas United Way committee showed their colors at the Leaps & Bounds Walk/Run event in Toronto.

Human Resources Strategy

Enbridge takes pride in being seen as a leader in many of its Human Resources practices. Harmonization of programs has bolstered Enbridge's appeal as an organization that offers broad individual development and growth opportunities. The Company is competitive from a wage and salary perspective, and our *Learning and Leadership* strategies will put us in front of most organizations, not only from a quality perspective but also from a return on investment perspective.

The Company is focused on:

- Ensuring the smooth integration of acquisitions and the management of all human resources issues related to that growth.
- Being recognized as a leader within our industry in those managerial, professional and technical groups where Enbridge must have the best and brightest in order to compete successfully.
- Maintaining a culture based on high performance and superior delivery of value to stakeholders.
- Being a "learning business" that grows and develops intellectual capital, provides satisfying career opportunities and has a record of retaining talent to meet the Company's business needs.
- Ensuring reward and recognition programs are in place that will enable the Company to attract and retain top-flight talent.

Canada's Top 100 Employers

Environment, Health & Safety

At Enbridge, we are committed to excellence in implementing standards that not only comply with government and regulatory requirements but also respond to the social, economic and environmental expectations of our communities, customers, shareholders, government and the public. We believe that prevention of accidents and injuries and protection of the environment benefits everyone and delivers increased value to our stakeholders.

Our objectives and targets for environmental, health and safety performance are established, implemented and measured and have been published in the first Enbridge EH&S Annual Report. You can obtain a copy of this report by e-mailing webmaster@cnpl.enbridge.com or visiting the Enbridge website at www.enbridge.com.

ENBRIDGE IN THE COMMUNITY

In 2001, Enbridge invested $3 million in communities in which we operate. By supporting communities where Enbridge has a presence, we help foster invaluable relationships, encourage community-mindedness and involvement by employees, and help create vibrant, healthy places for people to live. Our goals are to provide long-term positive results for the greatest number of people, and to support the efforts of non-profit organizations that build communities.

SOCIAL VISION STATEMENT

"We're Enbridge. In partnership with our communities, we deliver more than energy; we deliver on our commitment to enhance the quality of life in our communities by supporting programs in health, education, social services and the environment. Together with our employees we have the energy to make a difference."

Supporting Health and Social Services

For the third consecutive year, Enbridge employees across Canada and in the United States raised more than $1 million for United Way campaigns. The United Way of Greater Toronto awarded Enbridge Consumers Gas with the Public Awareness Spirit Award for the Company's contribution to building public awareness through special events including the *Enbridge CN Tower Stair Climb* for the United Way. With Enbridge's support, funds raised by the climb increased 13% to $640,000. The United Way of Calgary and Area awarded Enbridge with the Award of Excellence in recognition of companies who have demonstrated a history of outstanding campaigns, exceptional commitment to the community and great leadership.

Enbridge continues to provide funding support for the *Northern Alberta Hospital Campaign – Health Smart Solutions* and supported the pediatric pulmonary facility of the Southern Alberta's Children's Hospital through funds raised at the *Festival of Trees* in Calgary.

In the wake of the September 11 tragedy, Enbridge made a contribution to the American Red Cross to assist with ongoing relief efforts. Enbridge also made a donation to Cancer Counseling Inc., a non-profit organization based in Houston that helps patients and their families cope with the repercussions of cancer and its treatment.

Enbridge Consumers Gas supports communities through a combination of monetary donations and hours of employee volunteerism. Some of the most significant contributions were:

- Matching customer donations to *Share the Warmth*, a charity that purchases energy on behalf of those living at or near the poverty level. A total of $200,000 was used to offset energy costs for 1,800 homes and for relief agencies that provide essential services to the homeless.
- Being the title sponsor of *Light Up a Life* in support of *Eva's Initiatives*, the first program in North America that combines shelter with job training to help break the cycle of poverty and homelessness for youth.
- Participating as provincial sponsor of the *Crocus Campaign* in support of the Canadian National Institute for the Blind.
- Providing funding for a bursary awarded to a full-time graduate student under the supervision of a *Hospital for Sick Children* scientist. Graduate students are the main force behind many outstanding discoveries made each year at this world-renowned teaching hospital.
- Becoming a partner in *Ontario's Promise*, a non-partisan initiative encouraging business, government, the voluntary sector and individual citizens to increase their support for child and youth-related initiatives.

The New Spirit of Community Award

Enbridge's *Volunteers in Partnership* initiative in Calgary in support of high-risk families facing homelessness was awarded first place by the Canadian Centre for Philanthropy for its Imagine 2001 *New Spirit of Community* Partnership Awards. The prestigious award was given for Enbridge's partnership with the Aspen Family and Community Network society. As part of the award, Aspen received a cheque for $5,000. Criteria for the award include:

- The partnership must provide innovative sustainable solutions that meet community needs.
- Both partners are actively involved in the design and implementation of the program.
- Both partners bring a wide spectrum of resources to the program.
- The program delivers results that are of measurable benefit to the community.

Imagine
A Caring Company

Supporting Education

Enbridge continues to support numerous bursaries for high-performing students in Canada and the United States who are in need of financial assistance to pursue studies in science and engineering, regulatory studies and corporate environmental management. Enbridge created bursaries for students of aboriginal ancestry at Brock University in St. Catharines, Ontario; Hibbing, Minnesota; and Keyano College in Fort McMurray, Alberta.

Enbridge developed a Northern Student Award with the Northern Alberta Institute of Technology of Edmonton, Alberta to provide educational funding assistance for students of aboriginal ancestry interested in pursuing studies in the energy industry.

Junior Achievement chapters across the country were supported by funding and direct employee volunteer action in support of the *Economics of Staying in School* and *Personal Economics* programs. Enbridge provided support for the *Word on the Street Festival* in Calgary and continued to provide support for grassroots programs addressing literacy issues.

Supporting the Environment

In 2001, funding was provided through the Enbridge *Environmental Initiatives Program* to 37 grassroots community projects along the Enbridge Pipelines right-of-way. Some of these projects included construction of a wildlife viewing platform and interpretive signs in Hay River, Northwest Territories; tree planting in Morden, Manitoba; and the purchase of environmental learning resource materials for several schools in Alberta, Saskatchewan and the Northwest Territories.

The Toronto and Region Conservation Association's Environmental Day provides more than 2,500 students per day from across the Greater Toronto Area and York Region with an opportunity to appreciate and learn about the wildlife around them at the Bruce's Mill Conservation Park. Enbridge Consumers Gas supports this event on a yearly basis and funds raised enable the TRCA to continue programming for conservation. This initiative also supports wildlife habitat and wetlands protection and restoration.

Supporting Leadership Development

Enbridge's primary civic endeavor is to promote and encourage more citizens to become active community leaders. Enbridge believes that strong leadership and the need to develop a next generation of leaders is essential for the ongoing wealth, health and well being of our communities. Enbridge supports leadership development programs in Calgary, Edmonton, Regina, Toronto, Ottawa, Duluth and Superior, which help develop emerging leaders in those communities. Enbridge is committed to expanding support of a similar program in Fredericton, New Brunswick. In Calgary, Enbridge entered into a unique partnership with the Federation of Calgary Communities in support of 137 community associations as an opportunity to help grow new leaders through volunteerism.

Supporting Community Events

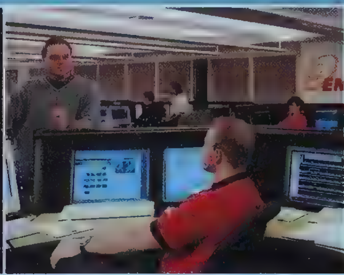
The Enbridge Consumers Gas Community Events Team participated in more than 300 community events that were attended by more than 1.2 million people. Fundraising events supported local hospitals such as the Markham Stouffville Hospital, raising more than $110,000 for cardiac equipment, and innovative outreach projects such as Toronto's *Second Harvest*, which raised almost half a million dollars, translating into about 750,000 meals for those most in need.

GLOBAL ENERGY AWARDS: Enbridge Consumers Gas received the *Environmental Practice of the Year* award at the 2001 Financial Times Global Energy Awards, which recognize the most outstanding accomplishments of the international energy industry. The Company was honored for the long-standing nature, diversity and sustainability of its environmental practices, and its "commitment to putting sustainable development principles into action with measured and impressive results."

HIGHLIGHTS

	2001	2000	1999	1998	1997	Compound Annual Growth
Return on Average Common Shareholders' Equity	**18.6%**	18.6%	14.3%	13.8%	14.2%	15.9%[1]
Earnings Applicable to Common Shareholders *(millions of dollars)*	**458.5**	392.3	287.9	240.9	217.3	20.5%
Earnings per Common Share *(dollars per share)*	**2.91**	2.54	1.91	1.66	1.58	16.5%
Dividends per Common Share *(dollars per share)*	**1.400**	1.270	1.195	1.120	1.060	7.2%
Total Assets *(billions of dollars)*	**13.1**	10.6	9.2	8.3	6.7	18.5%
Active Customers at Gas Utility *(thousands)*	**1,571**	1,520	1,466	1,414	1,362	3.6%
Liquids Deliveries *(thousands of barrels per day)*	**2,196**	2,164	2,023	2,136	2,083	1.3%

1 Represents average ROE for five-year period



- Return on average common shareholders' equity was 18.6% in 2001, well above regulated rates of return in Canada.
- Earnings applicable to common shareholders increased by $66.2 million, or 17%, over 2000 resulting in a compound earnings growth rate of 20.5% per annum over the last four years. This improvement was achieved despite the record warm winters experienced in the Company's gas distribution franchise areas in three of the last five years ending in 2001, which adversely affected earnings by $22 million in 2000, $31 million in 1999 and $40 million in 1998.
- The Company has achieved its objective of annual double-digit growth in earnings per share since 1995.
- The Company increased its quarterly dividend payment for the sixth consecutive year in 2001, while reducing its dividend payout ratio to 48% from 87% in 1995, in line with its growth objectives.
- Total assets have grown by an average of 18.5% annually over the past four years while still maintaining a strong and improving return on common equity.

Earnings Applicable to Common Shareholders
(millions of dollars)

Return on Average Common Shareholders' Equity *(%)*

CONSOLIDATED RESULTS

FINANCIAL HIGHLIGHTS

(Canadian dollars in millions; except per share amounts)	2001	2000	1999
Earnings			
Energy Transportation North	**193.6**	180.5	172.5
Energy Transportation South	**46.4**	23.3	39.1
Energy Distribution	**193.3**	215.3	95.2
International	**35.6**	26.4	28.7
Corporate	**(55.7)**	(87.8)	(47.6)
Continuing operations	**413.2**	357.7	287.9
Discontinued operations[1]	**45.3**	34.6	–
Net Earnings	**458.5**	392.3	287.9
Per Share Amounts			
Earnings			
Continuing operations	**2.63**	2.32	1.91
Discontinued operations[1]	**0.28**	0.22	–
	2.91	2.54	1.91

1 Earnings from discontinued operations cannot be disaggregated for the year ended December 31, 1999.

Earnings applicable to common shareholders (earnings) were $458.5 million, or $2.91 per common share, compared with $392.3 million, or $2.54 per common share, in 2000. The record earnings in 2001 reflect strong operating results from all businesses. Earnings from continuing operations were $413.2 million, or $2.63 per share, compared with $357.7 million, or $2.32 per share, in 2000. The higher earnings reflect improved operating results from Enbridge Consumers Gas (ECG) and the Enbridge System. The acquisition of Midcoast Energy Resources, Inc. (Enbridge Midcoast Energy) also contributed to higher earnings. In addition, the Company realized dilution gains from the issuance of units by Enbridge Energy Partners, L.P. (Enbridge Energy Partners or the Partnership) and improved results from corporate activities. These increases were partially offset by higher financing costs, a reduced contribution from Vector, a higher loss from the Aux Sable gas processing facility, and income tax rate reductions that had a smaller positive impact on earnings in 2001 than 2000.

There were several significant corporate and operating events during the year.

- In May, Enbridge purchased 100% of the outstanding shares of Enbridge Midcoast Energy, located in Houston, Texas, which represented progress on one of the Company's key strategic thrusts – to grow its North American footprint.
- In June, producers requested the construction of Phase III of the Terrace Expansion, signalling their confidence that volumes on the Company's liquids pipelines will increase in the medium term.
- In December, the Company decided to sell the retail and commercial energy services business to focus on its core activities of energy transportation and distribution.

Earnings from continuing operations increased from $287.9 million in 1999 to $357.7 million in 2000. The increase in earnings primarily reflects the effects of reductions in income tax rates, solid operating performance of the Energy Distribution business, and higher contributions from gas transmission pipelines. These improvements were partially offset by higher financing costs and a charge of $8.7 million related to Enbridge's merchant capacity on the Alliance and Vector Pipelines. In both 2000 and 1999, warmer than normal weather negatively affected Energy Distribution's results by $22.1 million and $31.3 million, respectively.

A gain recognized in 1999 related to the reduction in the Company's ownership interest in Enbridge Energy Partners did not recur in 2000.

Dividends paid on common shares have increased in each of the last three years. Growth in the dividend per share and a higher number of outstanding common shares contributed to the increase. The quarterly dividend per share increased to $0.35 in the first quarter of 2001 from $0.3225 per share established in the second quarter of 2000. In the second quarter of 1999 the quarterly dividend was raised to $0.3025. This represents increases of 8.5%, 6.6% and 5.2%, respectively, and was possible because of the sustained growth in earnings over the period.

The Company's business segments changed in 2001, as the acquisition of Enbridge Midcoast Energy resulted in changes to senior management responsibilities. All financial information has been restated to reflect the new segments. In addition, earnings from the retail and commercial energy services business are displayed as discontinued operations as it will be sold in the second quarter of 2002. The comparative figures for 1999 cannot be restated to display discontinued operations because the energy services business was included with the energy distribution business and was not accounted for separately.

ENERGY TRANSPORTATION NORTH

FINANCIAL RESULTS

(Canadian dollars in millions)	**2001**	2000	1999
Enbridge System	**111.1**	98.3	97.9
Enbridge Athabasca System	**29.9**	27.7	23.9
Enbridge NW System	**9.5**	10.7	11.1
Alliance Pipeline	**37.6**	28.4	27.7
Vector Pipeline	**3.9**	11.2	5.5
Gas Services	**(5.3)**	(8.8)	–
Other	**6.9**	13.0	6.4
	193.6	180.5	172.5

Energy Transportation North consists of liquids pipelines operations in Canada, the Company's equity interests in gas transmission pipelines and the Aux Sable gas processing plant, and the gas services business.

The mainline pipeline, which consists of the Enbridge System and the Lakehead System (the portion of the mainline pipeline in the United States and included in Energy Transportation South), is the world's longest crude oil pipeline system and is the primary transporter of crude oil from Western Canada to the United States. It is the only pipeline that transports crude oil from Western to Eastern Canada and serves all of the major refining centres in the province of Ontario, as well as the Midwest region of the United States.

Enbridge also owns the Enbridge Athabasca System and the Norman Wells system (Enbridge NW System). The Enbridge Athabasca System transports synthetic and heavy oils from northern Alberta to the pipeline hub at Hardisty, Alberta. The Enbridge NW System transports crude oil from Norman Wells, Northwest Territories to Zama, Alberta.

The Terrace II Expansion of Enbridge's mainline pipeline was constructed in 2001, adding 40,000 barrels per day of capacity.

Natural gas transmission activities include investments in the Alliance and Vector pipelines. Enbridge owns a 21.4% interest in Alliance, a 3,000-kilometre (1,800-mile) pipeline that commenced operations in December 2000 and transports liquids-rich natural gas from the Fort St. John, British Columbia area to Chicago, Illinois. The Company operates and holds a 45% investment in Vector, which transports natural gas from Chicago to Dawn, Ontario. Vector also commenced operations in December 2000. Alliance and Vector currently have the capacity to deliver 1.3 billion cubic feet per day (bcfd) and 1.0 bcfd, respectively.

The gas services business manages Enbridge's merchant capacity on Alliance and Vector and gas supply for Enbridge Consumers Gas.

Energy Transportation North earnings were $193.6 million for the year ended December 31, 2001, compared with $180.5 million for 2000. The higher earnings are due to increased contributions from the Enbridge System, Alliance and the Enbridge Athabasca System. These increases were partially offset by lower earnings from Vector and a higher loss from the Aux Sable facilities.

Energy Transportation North earnings of $180.5 million in 2000 increased by $8.0 million, when compared with 1999. The liquids pipelines posted solid operating results and construction on Vector and Alliance generated a higher allowance for equity

funds during construction (AEDC). A charge of $8.7 million after tax was recognized in 2000 related to the Company's merchant capacity commitments on Alliance and Vector for the years 2000 to 2003.

Liquids Pipelines

Enbridge System

Earnings from the Enbridge System increased to $111.1 million in 2001 from $98.3 million in 2000. The increase was due mainly to the triggering of Phase III of the Terrace Expansion. In the third quarter, the Company recorded a charge for an adjustment to oil inventory due to shippers of approximately $3 million, after tax. This was the result of refinements in the oil loss estimation process, as well as improvements in the accuracy of measuring oil losses as new software applications are developed.

Tolls on the Enbridge System are governed by the provisions of the Incentive Tolling Settlement (ITS). The ITS, which was renewed in April 2000 and approved by the National Energy Board (NEB) in June 2000, has a five-year term which expires on December 31, 2004. Under the ITS, tolls are determined based on a starting revenue requirement which is adjusted each year for 75% of the change in the Gross Domestic Product Implicit Price Index. The ITS allows the Company and its customers to share in cost savings, protects Enbridge from fluctuations in volumes and incorporates additional incentive mechanisms for electric power cost savings. Since electricity is used to power the pumping stations, power costs are a significant expense. The Company is allowed to earn a separate return on facilities expansions or additions that qualify as non-routine adjustments.

In 2001, after-tax cost savings amounted to a net benefit of $2.2 million to the Company, the same as in 2000. After-tax cost savings of $2.2 million in 2000 are lower than the $9.5 million of savings achieved in 1999 because the ITS raised the computation of base earnings by $7.6 million. The $7.6 million increase, together with the $2.2 million of realized cost savings, provides a benefit comparable with the $9.5 million of savings realized in 1999.

Deliveries[1]
(thousands of barrels per day)

1 Includes deliveries by the 13.6% owned Lakehead System

Since the inception of incentive tolling arrangements in 1995, after-tax benefits of $74.7 million have been shared approximately 54% and 46% by Enbridge and its customers, respectively. In addition, under the ITS, customers have benefited from cumulative, after-tax power cost savings of $3.6 million.

Enbridge Athabasca System

The Enbridge Athabasca System constructed additional tankage and terminal facilities in 2001, which increased its investment base and resulted in higher earnings. The pipeline started operations in April 1999 and earnings for that year include AEDC until that date.

The Company has entered into a long-term contract with the major shipper on the Enbridge Athabasca System. The shipper has committed annual volumes at specified tolls over a thirty-year term. The contract terms provide for tolls which are similar to those that would result under traditional cost-of-service rate-making. The terms provide for a rate of return that approximates the NEB's multi-pipeline rate of return on common equity in effect at the time of entering into the agreement. Earnings are recognized on a cost-of-service basis and any difference between cost-of-service revenues and cash tolls is recognized in the period. Deferred amounts will be collected over the term of the contract.

Enbridge NW System

Earnings from the Enbridge NW System have decreased in each of the last two years, due to the declining rate base, partially offset by incentive cost savings. Earnings are based on an agreement with the primary shipper and are a product of a deemed common equity ratio of 55% and the NEB multi-pipeline rate of return on common equity, plus any incentive cost savings.

Gas Pipelines

Alliance

Equity earnings from Alliance of $37.6 million improved by $9.2 million when compared with 2000. Higher earnings result from a higher rate base in 2001 since construction costs were

incurred until the pipeline was placed into service in December 2000. Earnings in both 2000 and 1999 represent AEDC. The increase in earnings in 2000, compared with 1999, is also a function of increasing rate base while construction was under way.

Vector

In 2001, Vector earnings of $3.9 million were $7.3 million less than 2000. Earnings were impacted negatively by higher depreciation and interest expense. In 1999 and 2000, Vector was under construction and the earnings represent AEDC. Vector earnings in 2000 were higher than in 1999 due to a higher investment base as construction was ongoing during that period.

Aux Sable

Enbridge owns a 21.4% interest in the Aux Sable facilities, which process natural gas delivered through Alliance. Aux Sable commenced operations in December 2000 and has the capacity to process up to 1.6 bcfd of natural gas. In 2001, Aux Sable generated a loss of $6.2 million due to the unfavourable spread between gas liquids and natural gas prices during the first half of the year. The facilities operated at a break-even level during the last half of 2001.

OUTLOOK

Liquids Pipelines

Enbridge System

Phase II of the Terrace Expansion was placed in service in 2002. Phase II adds 40,000 barrels per day of capacity and consists of 123 kilometres (77 miles) of 914-millimetre (36-inch) pipeline between the Hardisty, Alberta and Kerrobert, Saskatchewan terminals. In June 2001, the Canadian Association of Petroleum Producers (CAPP) provided notice for Enbridge to proceed with the application to the NEB for approval of Phase III. The facilities application, requesting approval to construct or modify new or existing pumping units along the Enbridge System, was filed in December 2001. Following NEB approval, it is expected that construction will commence in Canada in 2002. Phase III also involves construction of 193 kilometres (120 miles) of new 914-millimetre (36-inch) pipeline on the Lakehead System between Clearbrook, Minnesota and Superior, Wisconsin. Phase III will increase capacity by approximately 140,000 barrels per day. Construction has begun in the United States.

Of the total cost of $450 million, $135 million will be spent to expand the Enbridge System and Enbridge Energy Partners will spend the balance in the United States. The triggering of Phase III will continue to have a positive impact on Enbridge System earnings in 2002.

Volumes transported are expected to show a modest increase in 2002. Reduced drilling activity by producers for conventional supply should be more than offset by increased production from the oil sands region of Alberta. Fluctuations in volumes do not impact the majority of net earnings from the Enbridge System due to provisions in the ITS. However, the request to construct Phase III demonstrates producers' confidence that more capacity out of the Western Canadian Sedimentary Basin (WCSB) will be needed in the medium term.

The ITS allows Enbridge and its customers to share in cost savings achieved by the Company. To ensure continued savings for customers and increased returns for shareholders, the Company will continue to focus on operational excellence.

Enbridge Athabasca System

The Enbridge Athabasca System is the only liquids pipeline directly linking both the Athabasca and Cold Lake Oil Sands deposits with the pipeline transportation hub at Hardisty. With a capacity of 570,000 barrels per day, the pipeline is well positioned to carry more of the region's oil sands and heavy oil production in the future.

Earnings from the Enbridge Athabasca System will be impacted favourably in 2002 because of the completion of additional tankage at Fort McMurray during 2001. In addition, new facilities will be built to transport up to 30,000 barrels per day of bitumen produced by Petro-Canada from its MacKay River project, near Fort McMurray, to the Athabasca terminal, beginning in 2002. At the terminal, bitumen will be blended with diluent and up to 60,000 barrels per day of blended product will be transported on the Enbridge Athabasca System to Hardisty.

Enbridge is actively pursuing a role in northern gas pipeline development, building on its northern experience operating the Norman Wells crude oil pipeline.

Beginning in late 2002, up to 10,000 barrels per day of bitumen will be transported for PanCanadian to Enbridge's Kirby Lake Terminal, after which it will be blended with diluent for transportation on the Enbridge Athabasca System. PanCanadian has the right to ship up to 115,000 barrels per day of Christina Lake heavy blend on the pipeline. These additional volumes will generate improved returns on the Enbridge Athabasca System.

Enbridge also plans to construct additional tankage at both the Athabasca terminal and at Hardisty in 2002.

Capital Expenditures
Energy Transportation North expects to spend approximately $297 million in 2002 for capital expenditures, the majority of which relates to the Terrace Phase III and Enbridge Athabasca System expansions. The remainder is to be spent on core maintenance.

Supply
Liquids supply from the WCSB is expected to increase significantly during the next 10 years, particularly after 2005. Although supply of conventional light and heavy crude is forecast to continue to decline, significantly higher bitumen production is expected from the Alberta oil sands region. Bitumen production, which must be mixed with diluent before it can be transported, may be constrained after 2006 unless more crude upgrading facilities are constructed.

Conventional oil reserves in Western Canada increased in 2000 to 3.5 billion barrels. Approximately 104% of production was replaced, due to high activity levels resulting from the high oil prices during 2000. Reserves from the oil sands remained at 5 billion barrels from developed, currently producing projects or projects on which substantial investment is being made. It is estimated that there are 315 billion barrels of bitumen ultimately recoverable in the Alberta oil sands, using existing technology[1]. To date, approximately two billion barrels have been produced.

Gas Pipelines

Earnings from Alliance and Vector are expected to be approximately the same as earnings in 2001 and, since these pipelines were placed in service at the end of 2000, there is no current requirement for further capital investment. Vector is expected to continue to operate below its design capacity for the next two years and earnings will continue to be negatively impacted by higher depreciation and interest expense.

Construction of the Highland compressor station in Michigan has increased capacity of the Vector natural gas pipeline to 1 billion cubic feet per day.

Supply and Demand for Natural Gas[1]
Natural gas reserves in the WCSB decreased 2% in 2000 to 56.9 trillion cubic feet. In 2000, approximately 81% of natural gas production was replaced and a record 10,000 wells were drilled. Demand for natural gas in North America is forecast to grow annually until 2010. Most of this growth will be for electricity generation requirements.

Northern Development

Enbridge continues to be active with producers, governments, aboriginal peoples and other stakeholders in both Alaska and Canada's Mackenzie Delta. Enbridge believes that its experience, strengths and ability will add value to any pipeline project that will bring northern gas to market.

BUSINESS RISKS

Liquids Pipelines

Supply and Demand
Enbridge's liquids pipelines are dependent upon the supply of and demand for crude oil and other liquid hydrocarbons from Western Canada. Supply, in turn, is dependent upon a number of variables, including the price of crude oil. Drilling activity during the last two years has not been as strong as expected. However, producers have requested the construction of Phase III of Terrace, supporting the need for additional pipeline capacity to transport increasing volumes, anticipated in the future.

Historically, refiners in the U.S. Midwest utilize large volumes of Western Canadian light crude versus other imported crudes. Volumes on Line 9, which transports offshore crude to Ontario, are displacing some Canadian and U.S. domestic deliveries in the Ontario market. These displaced volumes were previously transported on the Enbridge and Lakehead Systems but any volume loss is expected to be more than offset by increasing demand in the U.S. Midwest.

Regulation
Earnings from the Enbridge System and the other liquid pipelines are determined by the actions of various regulators, including the NEB. The NEB prescribes a benchmark multi-

1 CAPP 2000 Petroleum Reserves Report

pipeline rate of return on common equity. To the extent the NEB rate of return fluctuates, a portion of the earnings of the Enbridge System is impacted. The Company believes that regulatory risk has been reduced through the negotiation of the ITS with its customers.

Competition

The Enbridge System transported approximately 67% of total Western Canadian crude oil production in 2001 and provides about 75% of capacity for the transportation of Western Canadian crude oil out of Canada. Competition among common carrier pipelines is based primarily upon the cost of transportation, access to producing areas and proximity to customers. Express Pipeline, a competitor that can transport up to 170,000 barrels per day, carries Western Canadian crude oil to the U.S. Rocky Mountain region. Enbridge does not compete directly in this region. However, supply on the Express Pipeline can either be refined in the U.S. Rocky Mountain region or shipped to the U.S. Midwest on a competing pipeline. The Company believes that its liquid pipelines are more attractive to producers shipping to the U.S. Midwest because they offer competitive tolls and shorter transit times. In addition, the Company does not require long-term shipper volume commitments.

Increased competition could arise from new feeder systems servicing the same geographic regions as the Company's feeder pipelines. Alternative pipeline competition has increased in the Alberta oil sands region from other companies negotiating to provide transportation to Edmonton. This is evidenced by the proposed application of Bison Pipeline Limited to construct a 516-kilometre (322-mile) pipeline to transport bitumen from the Alberta oil sands region to the Edmonton area.

Environment and Safety

Enbridge is committed to preserving public safety and protecting the environment. Pipeline ruptures are an inherent risk of operations, which could result in personal injury or environmental damage. The Company has an extensive program to test system integrity, which includes the development and use of predictive and detective in-line inspection tools. Maintenance, excavation and repair programs are directed to the areas of greatest benefit and pipe is replaced or repaired as required.

Gas Pipelines

Alliance and Vector

The Company's investments in Vector and Alliance are regulated by the NEB and the Federal Energy Regulatory Commission (FERC) and are subject to regulatory risk. Regulatory risk has been mitigated through the execution of long-term contracts with customers. Currently, pipeline capacity out of the WCSB exceeds supply. Alliance has been unaffected but Vector is expected to continue to operate below capacity for several years.

Aux Sable

Earnings from the Aux Sable processing plant will continue to be exposed to the spread between the sale prices of natural gas liquids and the purchase price of replacement natural gas. Equity earnings would be negatively impacted by a decrease in the spread and a more positive spread increases earnings.

Gas Services

Earnings from Gas Services are dependent upon the basis (location) differentials between Alberta and Chicago and Chicago and Dawn. To the extent that the difference in the price of natural gas in the various locations is not greater than the cost of transportation between Alberta and Chicago or Dawn, earnings will be negatively affected.

ENERGY TRANSPORTATION SOUTH

FINANCIAL RESULTS

(Canadian dollars in millions)	**2001**	2000	1999
Enbridge Midcoast Energy	**9.5**	–	–
Enbridge Energy Partners	**12.5**	16.3	18.9
Feeder Pipelines	**9.2**	7.2	9.4
Dilution gains	**15.2**	–	11.5
Other	**–**	(0.2)	(0.7)
	46.4	23.3	39.1

Energy Transportation South includes the operations of Enbridge Midcoast Energy, the Company's equity ownership interest in Enbridge Energy Partners, and other feeder pipelines in the U.S.

Enbridge Midcoast Energy gathers, processes, transports and markets natural gas and other petroleum products through more than 80 pipelines covering approximately 6,800 kilometres (4,200 miles) in 10 states, the Gulf of Mexico and Canada.

Enbridge has a 13.6% ownership interest (1999 – 15.3%) in the Partnership, a publicly-traded, limited partnership in the United States. The Partnership owns the Lakehead System, a feeder pipeline in North Dakota and natural gas gathering and processing assets in east Texas (East Texas System).

Earnings from Energy Transportation South increased by $23.1 million to $46.4 million in 2001. The acquisition of Enbridge Midcoast Energy in May 2001 and dilution gains on the Company's investment in Enbridge Energy Partners were the major contributors to the increase. Earnings from the Partnership were lower during the period due to reduced throughput, an adjustment to oil inventory due to shippers for the Lakehead System and one-time costs associated with relocating the Partnership's office to Houston.

Earnings of $23.3 million in 2000 were $15.8 million less than in 1999. The decrease is due in large part to realization of a dilution gain on the Company's investment in Enbridge Energy Partners in 1999 and lower volumes on the Lakehead System.

Enbridge Midcoast Energy

In May 2001, Enbridge completed the acquisition of Midcoast Energy Resources, Inc. for cash consideration of $561.8 million and the assumption of long-term debt. Earnings from Enbridge Midcoast Energy were $9.5 million in 2001, representing earnings from the date of acquisition.

In October, Enbridge announced the purchase, for US$50 million, of natural gas gathering, treating and transmission assets in south Texas. Enbridge will acquire 792 kilometres (492 miles) of gas transmission pipelines regulated by the FERC and 480 kilometres (298 miles) of non-FERC regulated assets including gathering systems and pipeline laterals. The acquisition of the non-FERC regulated assets closed in December 2001. The completion of the acquisition of the FERC-regulated assets is subject to approval by FERC to remove the gas transmission pipelines from jurisdiction under the Natural Gas Act.

Enbridge Energy Partners

The decreased contribution from the Partnership in 2001 results from reduced throughput and an adjustment to oil inventory due to shippers on the Lakehead System, as well as one-time costs associated with relocating the Partnership's office to Houston.

In December, the Partnership completed the acquisition of the East Texas System for US$230 million. The East Texas System represents the partnership's entry into the natural gas transportation business.

Earnings from the Partnership in 2000 were $16.3 million, compared with $18.9 million in 1999. Reduced pipeline utilization and higher operating costs on the Lakehead System were the primary reasons for the reduction in earnings.

OUTLOOK

Enbridge Midcoast Energy

Enbridge Midcoast Energy is expected to generate higher earnings in 2002 than in 2001 due to inclusion of a full year of operations, completion of the Bamagas project, which is a new pipeline in northern Alabama built to deliver natural gas to an electric generation plant, and the October 2001 asset acquisition. The Company will continue to focus on organic growth and act as an opportunistic acquirer in the southern region of the United States.

Enbridge Midcoast Energy, acquired in 2001, transports, gathers, processes and markets natural gas and other petroleum products in the U.S. Gulf Coast and Midcontinent regions.

Enbridge Energy Partners

Earnings for the Partnership are expected to increase in 2002, reflecting higher transportation volumes on the Lakehead System and the acquisition of the East Texas System. Since earnings from the Lakehead System are volume-sensitive, increases in volumes should have a positive impact on earnings. The impact on Enbridge earnings due to changes in volumes on the Lakehead System is mitigated by the size of the Company's investment in the Partnership.

The Terrace Phase III Expansion, currently under way, offers opportunities to increase volumes transported on the system. Phase III is designed primarily to increase capacity between Clearbrook, Minnesota and Superior, Wisconsin by approximately 140,000 barrels per day. The estimated cost of this project to the Partnership is approximately $312 million and is expected to be in service in 2003.

In the near term, the Partnership is well positioned to benefit from the expected increases in Western Canadian crude oil supply through utilization of a combination of existing capacity and expansions currently under way. The Partnership intends to expand beyond the market currently served in PADD II by seeking out new opportunities throughout the United States, particularly in the U.S. Gulf Coast area. The Partnership also plans to pursue opportunities to provide terminalling and transportation solutions to the major crude oil and natural gas producers in these regions.

Capital Expenditures

In 2002, the Company expects to spend $77 million on capital additions and routine maintenance related to the Enbridge Midcoast Energy assets.

BUSINESS RISKS

Enbridge Midcoast Energy

Regulation

The interstate and intrastate pipelines are subject to regulation by the FERC or state regulators. Gas gathering is not subject to regulation. The largest of the Midcoast assets, Enbridge Pipelines (KPC) Inc. (KPC), is regulated by FERC and has been charging interim rates since 1998. The rates are subject to a protest by KPC's customers and are being examined by FERC. The interim rates may be prospectively reduced by FERC upon conclusion of their review.

Market Price Risk

Enbridge Midcoast Energy's processing business is subject to market price risk as margins can be negatively affected by increasing gas costs relative to the price of natural gas liquids. In addition, processing margins can be adversely affected by lower throughput and higher fuel costs. Historically, these risks have been managed by fixing the sales price of the liquids and the cost of natural gas.

Enbridge Energy Partners

The Lakehead System is dependent upon the level of supply of and demand for crude oil and other liquid hydrocarbons from Western Canada. A decreased supply of crude oil impacts deliveries with a corresponding impact on earnings.

ENERGY DISTRIBUTION

FINANCIAL RESULTS

(Canadian dollars in millions)	**2001**	2000	1999
Enbridge Consumers Gas	**156.1**	147.6	76.6
Noverco	**16.3**	31.4	17.6
Enbridge Gas New Brunswick	**2.3**	3.4	–
Enbridge Commercial Services	**14.3**	18.4	–
Other	**4.3**	14.5	1.0
	193.3	215.3	95.2

Energy Distribution includes the gas distribution operations of Enbridge Consumers Gas (ECG), the Company's investment in Noverco, other gas distribution activities in smaller franchise areas, electricity distribution in the City of Cornwall, and the provision of information technology and other services to affiliated companies and others.

Enbridge Consumers Gas is Canada's largest natural gas distribution company and has been in operation for more than 150 years. ECG serves over 1.5 million customers in central and eastern Ontario, southwestern Quebec and parts of northern New York State. Its principal regulator is the Ontario Energy Board (OEB).

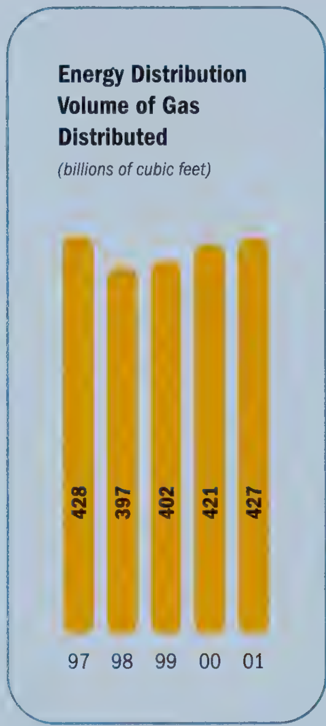
Enbridge owns an equity interest in Noverco through ownership of common shares and a cost investment through ownership of preference shares. Noverco is a holding company that owns a 77% interest in Gaz Métropolitain, a gas distribution company operating in the province of Quebec and the state of Vermont, which has a 50% interest in TQM Pipeline, a pipeline transporting natural gas in Quebec.

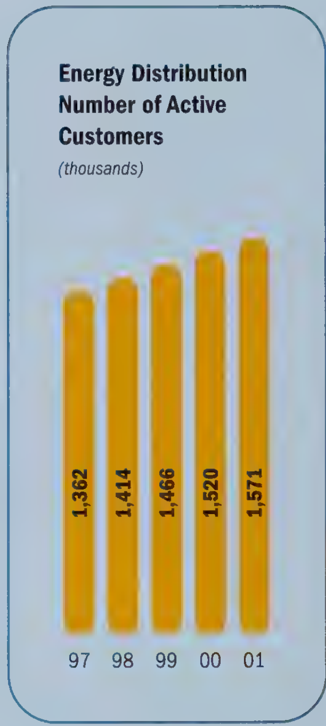
In 2001, Lakehead Pipe Line was rebranded as Enbridge Energy Partners, and moved its headquarters from Duluth, Minnesota to Houston, Texas.

Enbridge Commercial Services commenced operations on January 1, 2000 and provided information technology, fleet services, call management centre, customer care and billing services to Enbridge Consumers Gas, the energy services business and others in 2001.

Earnings from Energy Distribution were $193.3 million for the year ended December 31, 2001, compared with $215.3 million in 2000. The results reflect strong operating performance from ECG, more than offset by a smaller positive impact of tax rate reductions in 2001 than in 2000, and lower earnings from Noverco.

In 2000, earnings increased by $120.1 million, compared with 1999. The higher earnings are largely attributable to the positive impact on earnings from income tax rate reductions, combined with very strong operating performance from Enbridge Consumers Gas. The 1999 results include the results of the transferred (unbundled) retail products and services operations on October 1, 1999.





Enbridge Consumers Gas

ECG earnings in 2001 of $156.1 million were higher than 2000 by $8.5 million. Although weather for the year was slightly warmer than normal in the ECG franchise area, it was colder during the winter months when distribution margins are higher, resulting in higher earnings of approximately $5.0 million. Operating earnings from ECG also increased due to growth in the customer base and lower unaccounted for gas, which is the difference between distribution volume entering the system and the volume delivered to customers. The weather was 5% colder compared with the previous year and was slightly warmer than normal. The effect of weather is measured by degree day deficiency and is calculated by accumulating, from October 1, the total number of degrees each day by which the daily mean temperature falls below 18 degrees Celsius.

Results for ECG for 2000 reflect very strong operating performance as the negative effect on earnings from the unbundling of the retail products and services business was completely offset. The 1999 results include the results of the unbundled operations which were discontinued in 2001. Increases to earnings include the reductions in the federal income tax rate, a higher approved return on common equity, the favourable impact of strong economic conditions in Ontario, slightly colder weather than in 1999 and cost savings initiatives. The weather was 109 degree days colder in 2000 than in 1999, but 360 degree days, or 9.2%, below forecast degree days based on normal weather. On a weather-normalized basis, 2000 earnings would increase by $22.1 million.

In the rate-making process, the OEB approves revenue rates that are designed to recover the cost of providing service and to provide a return on equity. Rates are set on a forecast basis. The cost of providing service includes the cost of gas commodity purchases and transportation costs, operation and maintenance costs, depreciation, income taxes, and the cost of capital used to finance all assets used in gas distribution, storage and transmission rate base. The cost of capital, which is expressed as an allowed rate of return on rate base, is designed to meet the cost of interest on long and short-term debt, satisfy the dividend requirements of preferred shareholders, and provide a return on common equity. It is ECG's responsibility to demonstrate to the OEB the prudency of the costs it has incurred or the activities it has undertaken. ECG does not profit from the sale of the natural gas commodity.

ECG continued to operate under a targeted Performance-Based Regulation plan (PBR plan), which expires at the end of fiscal 2002. The PBR plan uses a formula to calculate the operation and maintenance costs recoverable in rates, which allows ECG to retain savings during the PBR plan period if it realizes lower operation and maintenance expenses than in the formula. The formula includes escalation factors for customer growth and inflation; these are offset by an annual productivity credit of 1.1%. The PBR plan also allows for the recovery, subject to OEB approval, of factors impacting operation and maintenance expenses that are outside of management's control.

The allowed rate of return on common equity for ECG is based on the yield on Canadian government long-term bonds. For the 2001 fiscal year, the allowed rate of return for ECG was 9.54%, compared with 9.73% and 9.51% in 2000 and 1999, respectively, on a deemed common equity component of 35%.

Over the last three years, Enbridge Consumers Gas added 157,000 customers, including approximately 51,000 customers in 2001. This growth was attributable to the continuing popularity of natural gas among homeowners and builders due to its price advantage and environmental benefits over other forms of energy.

Noverco

Equity earnings from Noverco are lower than 2000, mainly due to the positive impact of tax rate reductions in 2000. Variations from normal weather do not affect Noverco's earnings as the regulator holds utilities weather neutral. A significant portion of the Company's earnings from Noverco is in the form of dividends on its preference share investment, which are based on the yield of 10-year Government of Canada bonds plus 4.45%. The weighted average yield on the preference shares, which is reset annually, was 10.2%, 10.2% and 10.0% for 2001, 2000 and 1999, respectively.

Equity earnings from Noverco increased in 2000 to $31.4 million, from $17.6 million in 1999. The increase was due to the positive effect of tax rate reductions on earnings.

Enbridge Gas New Brunswick

Earnings from Enbridge Gas New Brunswick are slightly lower than last year. Construction of new natural gas distribution facilities commenced in the third quarter of 2000. Customer attachment to the new facilities has been slower than expected, resulting in lower earnings in 2001. Earnings in 2000 consist mainly of AEDC.

Enbridge Commercial Services

The lower earnings from Enbridge Commercial Services in 2001 reflect the transfer of the merchandise finance plan to the Energy Services business effective January 1, 2001. The merchandise finance plan business is included as a component of discontinued operations in 2001.

In July, Enbridge entered into a limited partnership with BC Gas Inc. to develop and operate a new company that will provide full service customer management solutions to utilities, municipalities and retail energy companies across Canada. The new company, called CustomerWorks, will support a complete set of business service offerings covering the entire meter-to-cash process, including many of the services provided by Enbridge Commercial Services. Full-scale operations commenced on January 1, 2002. CustomerWorks will initially provide services for more than 3.5 million customers of BC Gas and Enbridge's gas distribution business.

OUTLOOK

Enbridge Consumers Gas

2002 Rate Application

Enbridge Consumers Gas has filed its fiscal 2002 rate application with the OEB requesting an order to approve rates for the sale, distribution, transmission and storage of gas, which reflected a gross revenue deficiency, or proposed increase in revenue rates, of $46.7 million. The deficiency is comprised of higher commodity and load balancing costs and distribution costs. The distribution costs are being driven by growth in operations and maintenance expense from the application of the PBR formula, increased rate base and an increase in the rate of return on common equity. The request to increase the rate of return reflects ECG's need to compete for investment dollars in the North American marketplace. Currently, ECG's allowed rate of return is 1% to 2% lower than that of United States utilities and lower than the rate of return provided by other comparable-risk investment choices in the energy market.

Performance-Based Regulation

There is a trend in North America toward incentive, or performance-based regulation. ECG is operating under an OEB-approved, targeted PBR plan for a three-year term, which commenced in fiscal 2000. The OEB expects ECG to develop, in consultation with stakeholders, a Comprehensive PBR plan (CPBR plan) by the end of the three-year term.

A CPBR plan would permit ECG to set rates within certain limits and provide flexibility to adjust prices within these limits. ECG's CPBR plan is under development.

ECG continues to work on positioning its business operations to capitalize on opportunities to improve capital efficiency and to grow the core distribution business in a CPBR environment.

Direct Purchase

Deregulation of the natural gas industry has introduced many changes to the natural gas distribution business, one of which occurred in the gas marketing segment of the industry. Before deregulation of natural gas prices in 1985, ECG supplied natural gas to 100% of its customer base. In 2001, ECG-supplied gas amounted to 41.5% of the gas distributed to its customers (2000 – 37.0%, 1999 – 37.2%). The remaining gas supply was purchased directly by customers or supplied by independent brokers or marketers. At September 30, 2001, 695,000 customers purchased their supply of gas from sources other than the utility, compared with 602,000 and 569,000 customers at September 30, 2000 and 1999, respectively. ECG's earnings are not impacted by the customers' choice of gas commodity supplier. ECG currently intends to continue to provide customers the option of purchasing their natural gas directly from the utility.

Capital Expenditures

Capital expenditures for the Energy Distribution business are expected to be approximately $319 million in 2002. The majority of the expenditures relate to expansion of, and core maintenance on, the ECG gas distribution system. In addition, expansion of the Enbridge Gas New Brunswick distribution system will continue.

BUSINESS RISKS

Enbridge Consumers Gas

The business risks inherent in the natural gas distribution industry impact ECG's ability to realize the revenue level required to generate the allowed return on equity. These business risks include timely and adequate rate relief, accuracy in forecasting distribution volumes and, most importantly, achieving the forecast natural gas distribution volumes. With the ongoing restructuring in the electricity industry, ECG may face an emerging risk of increased competition in the energy market.

The regulatory process in North America has been evolving in recent years towards incentive, or performance-based, regulation and away from the more traditional cost-of-service regulation. Since ECG's targeted PBR plan only applies to operation and maintenance expenses, it does not materially change existing business risks. It is ECG's intention to introduce a CPBR plan after the current PBR plan expires. It is anticipated that this form of regulation will provide greater opportunity for ECG to earn in excess of the allowed rate of return, but likely with commensurate increased business risk.

Volume Risks

Since customers are billed on a volumetric basis, ECG's ability to collect its total revenue requirement (the cost of providing service) depends upon achieving the forecast distribution volume established in the rate-making process. The probability of realizing such volume is contingent upon four key forecast variables: weather; economic conditions; pricing of competitive energy sources; and the number of customers.

Enbridge continues to build a natural gas distribution network in New Brunswick, and created a new company to sell natural gas commodity contracts to customers in the province.

Sales and transportation of gas for customers in the residential and commercial sectors account for approximately 75% of ECG's total distribution volume. Weather during the year, measured in degree days, has a significant impact on distribution volume, as a major portion of the gas distributed to these two markets is used ultimately for space heating. Sales and transportation service to large volume commercial and industrial customers are more susceptible to prevailing economic conditions. As well, the pricing of competitive energy sources affects volume distributed to these sectors as some customers have the ability to switch to an alternate fuel. Customer additions are important to all market sectors as continued expansion adds to the total consumption of natural gas.

Even in those circumstances where ECG attains its total forecast distribution volume, ECG may not earn the approved return on equity due to other forecast variables. The mix of sales and transportation of gas for customers and the mix between the higher margin residential and commercial sectors and lower margin industrial sector could impact ECG's results. The timing of gas sales is also a factor, as the winter season has higher rates than the summer season.

Enbridge Consumers Gas once again added more than 50,000 customers a year, and now delivers natural gas to more than 1.5 million customers.

Rate Relief

ECG does not profit from the sale of the natural gas commodity nor is it at risk for the difference between the actual cost of gas purchased and the price approved by the OEB. This difference is deferred as a receivable from or payable to ratepayers until the OEB approves its disposition. ECG monitors the balance and its potential impact on ratepayers and will request interim rate relief that will allow it to recover or refund the gas commodity cost differential. Rate relief can also be sought for other significant unbudgeted amounts, allowing ECG to recover the costs of providing and maintaining the quality of its service while achieving the allowed rate of return on rate base.

ECG will be implementing a quarterly rate adjustment mechanism during 2002. This will allow for the quarterly adjustment of rates to reflect changes in natural gas commodity prices. Adjustments will be subject to approval by the OEB.

Forecasting Accuracy

Rates are normally established one or two years in advance based on anticipated distribution volumes by class of customer. Forecasts are also made for the future cost of capital including the yield rate for long-term Government of Canada bonds used in the determination of the return on equity. Consequently, reliability of the forecasting process should ensure that any changes in cost of service, regardless of whether they are caused by inflation or by level of business activity, would be recovered in new rates approved for that year based on the anticipated distribution volume.

INTERNATIONAL

FINANCIAL RESULTS

(Canadian dollars in millions)	**2001**	2000	1999
OCENSA/CITCOL	**35.1**	30.3	24.0
Jose Terminal	**5.9**	1.5	6.3
Consulting, business development costs and other	**(5.4)**	(5.4)	(1.6)
	35.6	26.4	28.7

International includes earnings from the investment in OCENSA, a crude oil pipeline in Colombia, and fees earned as operator of the Jose Terminal in Venezuela and the Oman natural gas system. The Company also provides technology and consulting services through Enbridge Technology Inc.

Earnings increased by $9.2 million to $35.6 million in 2001. The increase was partially due to the additional OCENSA ownership interest acquired in the third quarter of 2000. In addition, higher fees were earned to operate the Jose Terminal, resulting from the new long-term operating contract finalized in the second quarter of 2001.

International's earnings decreased in 2000, when compared with 1999. The $6.3 million increase in OCENSA earnings is a result of the higher ownership interest. The fees earned to operate the Jose Terminal decreased in 2000, compared with 1999, due to a change in the interim operating agreement in late 1999. Consulting and technical advisory service fees were lower in 2000 due to the completion of a significant contract in Mexico in 1999 and the development of new services.

OUTLOOK

The International business will continue to focus on select countries in key regions based on global trends in supply and demand. In addition, opportunistic acquisitions will be assessed for risk/reward. The technology and consulting business is expected to provide support in connection with identification and development of equity participation projects. Latin America, where the OCENSA pipeline and Jose Terminal are located, will continue to be a key area of interest and focus.

Historically, International has focussed on "grassroots" infrastructure projects. Increased international asset rationalization, the changing corporate strategies of

multinationals, and the privatization of energy transportation activities in focus regions should continue to present investment and acquisition opportunities. These opportunities will be evaluated against the Company's investment criteria.

In November, Enbridge announced that it had agreed in principle to acquire a 25% stake in Compãnia Logistica de Hidrocarburos CLH, S.A. (CLH), Spain's largest refined products transportation and storage business. The principal terms of the agreement, which is expected to be finalized in the first quarter of 2002, will include the acquisition of 25% of the common shares of CLH for approximately $530 million. The acquisition is subject to final due diligence, execution of the Purchase and Shareholder Agreements and other customary closing conditions. Enbridge will have a role in management of CLH through Board representation, appointment of management positions and, potentially, through the provision of technical and advisory services.

BUSINESS RISKS

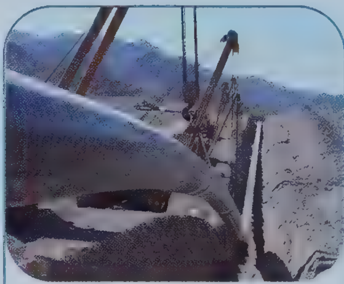
The International business is subject to risks related to political and economic instability, currency volatility, market volatility, government regulations, foreign investment rules, security of assets, and environmental considerations. The Company assesses and monitors international regions and specific countries on an ongoing basis for changes in these risks. Risks are mitigated by Enbridge's contractual arrangements, operation of the assets, regular analysis of country risk, and foreign currency hedging and insurance programs.

CORPORATE

(Canadian dollars in millions)	**2001**	2000	1999
Corporate Financing	**(70.4)**	(59.0)	(49.9)
Other	**14.7**	(28.8)	2.3
	(55.7)	(87.8)	(47.6)

The Corporate segment includes new business development activities and corporate financing costs.

Corporate costs totalled $55.7 million in 2001, compared with $87.8 million in 2000. Higher financing costs associated with investments made late in 2000 and the acquisition of Enbridge Midcoast Energy in May 2001 were incurred during the year. These costs are not allocated to the business operations. Corporate activities also generated improved results in 2001.



A five-year contract to operate the major natural gas transmission system in Oman gives Enbridge an opportunity to pursue business opportunities in the Arabian Peninsula.

Financing costs increased in 2000, when compared with 1999, due to increased average debt and preferred securities required to fund the Company's growth and investments.

In 2000, the Company recorded a loss on foreign exchange contracts of $15.6 million (after tax) and income tax expense related to tax rate reductions.

In December 2000, the federal government substantially enacted a 6% reduction in corporate tax rates. As a result, certain of the Company's anticipated U.S. dollar cash flows became overhedged for accounting purposes. The derivative financial instruments were valued at market prices and a loss of $15.6 million was charged to income in 2000. The forward foreign exchange contracts were designated as a hedge of certain of the Company's equity net investments in the United States in the third quarter of 2001.

Emerging Energy Technologies

The SunBridge Wind Power Project commenced generation of renewable energy to the SaskPower grid in 2001. SaskPower will purchase the electricity produced at the facility to provide power for federal government buildings in Saskatchewan and other customers. SunBridge is expected to produce 11 megawatts of power from 17 turbines once fully commissioned in June 2002.

In January 2002, Enbridge announced that it had entered into a strategic alliance with Ensyn Group Inc. (Ensyn) to facilitate the development of Ensyn's heavy oil upgrading technology. Enbridge believes that Ensyn's technology has the potential to reduce diluent requirements for bitumen transportation, broaden markets for bitumen and heavy oil, and ultimately lead to additional expansion on the Enbridge, Lakehead and Enbridge Athabasca Systems.

DISCONTINUED OPERATIONS

In January 2002, the Company announced the sale of the Company's business operations that provide energy products and services to retail and commercial customers, including the water heater rental program, for $1 billion. Completion of the sale is expected in the second quarter of 2002. This business includes the water heater rental program; retail appliance, fireplace and water heater sales and service; mass market commercial plumbing, heating, ventilation and air conditioning, appliance repair and electrician contractor services in Canada and the United States; and the merchandise finance plan operations.

Earnings from discontinued operations were $45.3 million in 2001, compared with earnings of $34.6 million in 2000. The increase is attributable to growth in the business, particularly the water heater rental program.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash generated from operations, commercial paper issuances, available capacity under credit facilities and access to capital markets in Canada and the United States for the issue of long-term debt, securities, or equity, are expected to be sufficient to satisfy liquidity requirements.

OPERATING ACTIVITIES

Cash provided from operating activities before changes in operating assets and liabilities and cash from discontinued operations was $735.7 million for the year ended December 31, 2001, compared with $599.8 million and $626.9 million for 2000 and 1999, respectively.

The increase in cash from operations in 2001 is attributed to higher earnings and a decreased level of non-cash credits. The lower non-cash credits reflect decreased earnings from tax rate reductions and increased cash distributions from Alliance and Vector as a result of the commencement of operations in 2001.

The additional funding requirements for operating assets and liabilities in 2001 was due to increased accounts receivable from expansion of business operations and included a short-term loan to the Partnership as bridge financing for recent acquisitions. Additional working capital funding was also required to finance a higher value of gas in storage that increased commensurate with a higher cost of gas.

Additional funding requirements for operating assets and liabilities occurred in 2000 in comparison with 1999, reflecting the expansion of business operations and the increased value of gas in storage related to a higher cost of gas.

INVESTING ACTIVITIES

Cash used in investing activities for the year ended December 31, 2001 was $1,341.1 million, compared with $949.8 million in 2000 and $1,205.7 million in 1999. Activity in 2001 was the result of acquisitions, including Enbridge Midcoast Energy and gas gathering assets in South Texas. There were also increased additions to property, plant and equipment during 2001, which included construction of Terrace Phase II, the Enbridge Athabasca System facilities expansion and the capital program of Enbridge Midcoast Energy subsequent to the acquisition date. These were offset in part by significantly reduced long-term investment activity, as construction of the Alliance and Vector pipelines was completed in late 2000.

Investing activity decreased in 2000 by $255.9 million in comparison with 1999, reflecting the commissioning of pipeline expansions. There were no significant capital projects during 2000, whereas 1999 included system expansions and construction of the Enbridge Athabasca System. Long-term investment activity in 2000 included investments of $326.7 million in Vector (1999 – $24.6 million), $142.1 million in Alliance (1999 – $138.0 million), and a $25.0 million investment in Global Thermoelectric. During 2000, the acquisition of an additional 7.2% interest in OCENSA and the remaining 50% ownership of CITCOL ($77.2 million) was also completed.

Energy Distribution continued core maintenance and system expansion expenditures throughout the period 1999 to 2001.

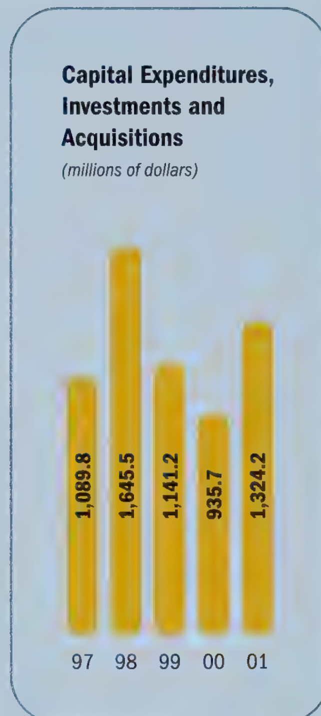
FINANCING ACTIVITIES

Over the three-year period, the Company's level of financing requirements has reflected its growth and investment strategies. Funding sourced from debt or equity is determined primarily based on the capital structure appropriate for each business and the overall capitalization of the consolidated enterprise. Certain of the regulated businesses issue long-term debt to finance capital expenditures. This external financing may be supplemented by debt or equity injections from the parent company. Debt and equity, when required, have been issued mainly to finance business acquisitions, investments in subsidiaries and long-term investments.

Funds for debt retirements are generated through cash provided from operating activities, as well as through the issue of replacement debt.

Cash provided from financing activities was greater in 2001, corresponding with the increased level of capital expenditures as a result of system expansions and Enbridge Midcoast Energy expenditures.

During 2000, the lower level of investing activity was financed primarily through operating cash flows and the issuance of additional medium-term notes. During 2000, a public common share issue generated net proceeds of $144 million.



CREDIT RATING

In December 2001, Standard & Poor's lowered Enbridge's credit rating from A to A- with a negative outlook, due to the Company's consolidated leverage. Enbridge's credit rating continues to be investment grade, but nonetheless the Company intends to reduce its consolidated leverage in 2002. The Company's ratings by Moody's Investor Services and Dominion Bond Rating Service remain unchanged at A2 and A, respectively, with stable outlooks.

RISK MANAGEMENT

OPERATING RISK

As Enbridge continues to diversify its energy transportation, distribution and gathering and processing businesses in North America and internationally, the risk profile of the Company will change. Entry into non-regulated businesses imposes greater economic exposure and requires more "at risk" capital to be spent. The Company's expectation of higher returns from these businesses justifies the level of risk. In addition, these operational risks are actively managed and mitigated.

MARKET RISK

Earnings and cash flows are subject to volatility stemming from movements in the U.S./Canadian dollar exchange rate, interest rates and energy commodity prices. Enbridge uses derivative financial instruments to create offsetting positions to specific exposures. The Company has established risk management policies, approved by the Board of Directors to guide the use of derivative financial instruments for hedging instruments. Ongoing monitoring and senior management reporting procedures are in place. Derivative financial instruments are not used to create speculative positions. The financial instruments used and outstanding are provided in Note 11 to the consolidated financial statements.

Foreign Exchange Risk

The Company has an established hedging program to eliminate 80% to 100% of the long-term exposure related to its U.S. dollar cash flows. At December 31, 2001, future cash flows of approximately US$60 million per year (2000 – US$60 million, 1999 – US$39 million) and redemption of the investment in OCENSA of US$100 million were hedged. The Company also hedges certain of its U.S. dollar net equity investments.

Interest Rate Risk

Enbridge uses interest rate derivatives to hedge against the effect of future interest rate movements on its short-term and long-term debt. The Company also enters into interest rate derivatives to hedge a portion of the interest cost in anticipation of future debt issues related to specific capital projects.

Commodity Price Risk

The Company is exposed to the margin between the price of natural gas liquids and the cost of natural gas in the operations of Enbridge Midcoast Energy. Enbridge uses over-the-counter commodity derivatives to fix the selling price of the gas liquids and the cost of purchasing natural gas to preserve the margins.

Natural Gas Supply Management

The rates for customers of Enbridge Consumers Gas are impacted by the price of natural gas. A portion of the future natural gas supply requirements is hedged, as allowed by the OEB. Since the cost of the natural gas commodity flows through to customers, the customer benefits from this risk mitigation strategy. The OEB monitors the policies, procedures and results of this hedging program.

Quarterly Financial Information

Selected Financial information for the eight most recently completed quarters is shown on page 57.

To the Shareholders of Enbridge Inc.

Management is responsible for the accompanying consolidated financial statements and all other information in this Annual Report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include amounts that reflect management's judgement and best estimates. Financial information contained elsewhere in this Annual Report is consistent with the consolidated financial statements.

Management has established systems of internal control that provide reasonable assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The internal control system includes an internal audit function and an established code of business conduct.

The Board of Directors and its committees are responsible for all aspects related to governance of the Company. The Audit, Finance & Risk Committee of the Board, composed of directors who are not officers or employees of the Company, has a specific responsibility for ensuring that management fulfills its responsibilities for financial reporting and internal controls related thereto. The Committee meets with management, internal auditors and independent auditors to review the consolidated financial statements and the internal controls as they relate to financial reporting. The Audit, Finance & Risk Committee reports its findings to the Board for its consideration in approving the consolidated financial statements for issuance to the shareholders.

PricewaterhouseCoopers LLP, appointed by the shareholders as the Company's independent auditors, conducts an examination of the consolidated financial statements in accordance with Canadian generally accepted auditing standards.

Patrick D. Daniel
President & Chief Executive Officer
January 25, 2002

Derek P. Truswell
Group Vice President & Chief Financial Officer

To the Shareholders of Enbridge Inc.

We have audited the consolidated statements of financial position of Enbridge Inc. as at December 31, 2001 and 2000 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the three year period ended December 31, 2001. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and cash flows for each of the years in the three year period ended December 31, 2001 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants

Calgary, Alberta, Canada
January 25, 2002

Comments by Auditors for U.S. Readers on Canada-U.S. Reporting Difference

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is a change in accounting principles that has a material effect on the comparability of the Corporation's financial statements, such as the change described in Note 12 to the consolidated financial statements. Our report to the shareholders dated January 25, 2002 is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting principles in the auditors' report when the change is properly accounted for and adequately disclosed in the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants

Calgary, Alberta, Canada
January 25, 2002

CONSOLIDATED STATEMENTS OF EARNINGS

(millions of Canadian dollars, except per share amounts)

Year ended December 31,		2001	2000	1999
Revenues	Gas sales	**2,675.3**	1,407.0	1,374.2
	Transportation	**1,175.1**	1,032.1	820.3
	Energy services	**199.7**	117.4	499.5
		4,050.1	2,556.5	2,694.0
Expenses	Gas costs	**2,202.8**	958.8	903.1
	Operating and administrative	**739.1**	613.0	821.6
	Depreciation	**392.5**	387.5	383.8
		3,334.4	1,959.3	2,108.5
Operating Income		**715.7**	597.2	585.5
Investment and Other Income (Note 14)		**225.7**	185.6	182.4
Interest Expense (Note 7)		**(437.1)**	(389.2)	(380.6)
Earnings From Continuing Operations Before Undernoted		**504.3**	393.6	387.3
Income Taxes (Note 12)		**(66.7)**	(13.7)	(87.5)
Earnings From Continuing Operations		**437.6**	379.9	299.8
Earnings From Discontinued Operations (Note 4)		**45.3**	34.6	–
Earnings		**482.9**	414.5	299.8
Preferred Security Distributions (Note 8)		**(17.5)**	(15.3)	(5.0)
Preferred Share Dividends (Note 9)		**(6.9)**	(6.9)	(6.9)
Earnings Applicable to Common Shareholders		**458.5**	392.3	287.9
Earnings Applicable to Common Shareholders				
Continuing Operations		**413.2**	357.7	287.9
Discontinued Operations		**45.3**	34.6	–
		458.5	392.3	287.9
Earnings Per Common Share (Note 9)				
Continuing Operations		**2.63**	2.32	1.91
Discontinued Operations		**0.28**	0.22	–
		2.91	2.54	1.91
Diluted Earnings Per Common Share (Note 9)				
Continuing Operations		**2.60**	2.31	1.90
Discontinued Operations		**0.28**	0.22	–
		2.88	2.53	1.90

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(millions of Canadian dollars, except per share amounts)

Year ended December 31,	2001	2000	1999
Retained Earnings at Beginning of Year	**581.3**	503.1	407.6
Earnings Applicable to Common Shareholders	**458.5**	392.3	287.9
Effect of Change in Accounting for Income Taxes (Note 12)	**–**	(112.0)	–
Preferred Securities Issue Costs	**–**	–	(6.0)
Common Share Dividends	**(227.5)**	(202.1)	(186.4)
Retained Earnings at End of Year	**812.3**	581.3	503.1
Dividends Paid Per Common Share	**1.40**	1.27	1.195

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian dollars)

Year ended December 31,	**2001**	2000	1999
Cash Provided By Operating Activities			
Earnings from continuing operations	**437.6**	379.9	299.8
Charges/(credits) not affecting cash			
Depreciation	**392.5**	387.5	383.8
Equity earnings less than/(in excess of) cash distributions	**10.6**	(52.0)	(29.7)
Gain on reduction of ownership interest	**(23.4)**	–	(18.2)
Loss on foreign exchange contracts	**–**	24.5	–
Future income taxes	**(54.0)**	(117.1)	5.5
Other	**(27.6)**	(23.0)	(14.3)
Changes in operating assets and liabilities (Note 15)	**(603.7)**	(515.4)	(131.8)
Cash provided by operating activities of discontinued operations	**1.9**	179.1	–
	133.9	263.5	495.1
Investing Activities			
Acquisition of subsidiaries	**(599.1)**	(16.5)	(16.7)
Long-term investments	**(41.8)**	(554.9)	(340.8)
Additions to property, plant and equipment	**(683.3)**	(364.3)	(783.7)
Changes in construction payable	**(14.0)**	(5.7)	(56.0)
Other	**(2.9)**	(8.4)	(8.5)
	(1,341.1)	(949.8)	(1,205.7)
Financing Activities			
Net change in short-term borrowings and short-term debt	**1,521.4**	(105.2)	204.3
Long-term debt issues	**905.6**	965.4	367.6
Long-term debt repayments	**(979.6)**	(133.3)	(183.1)
Non-controlling interests	**(4.1)**	21.2	100.0
Preferred securities issued	**–**	–	338.5
Common shares issued	**23.3**	175.4	10.3
Preferred security distributions	**(17.5)**	(15.3)	(5.0)
Preferred share dividends	**(6.9)**	(6.9)	(6.9)
Common share dividends	**(227.5)**	(202.1)	(186.4)
	1,214.7	699.2	639.3
Increase/(Decrease) in Cash	**7.5**	12.9	(71.3)
Cash at Beginning of Year	**66.5**	53.6	124.9
Cash at End of Year	**74.0**	66.5	53.6

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of Canadian dollars)

December 31,	2001	2000
Assets		
Current Assets		
Cash	**74.0**	66.5
Accounts receivable and other	**1,419.1**	663.3
Gas in storage	**665.6**	519.8
Current assets of discontinued operations (Note 4)	**123.0**	84.8
	2,281.7	1,334.4
Property, Plant and Equipment, net (Note 5)	**7,546.8**	6,554.2
Long-Term Investments (Note 6)	**1,772.8**	1,689.5
Deferred Amounts	**254.0**	153.2
Future Income Taxes (Note 12)	**142.0**	110.4
Goodwill	**330.4**	–
Long-Term Assets of Discontinued Operations (Note 4)	**800.0**	767.7
	13,127.7	10,609.4
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term borrowings	**410.9**	235.3
Accounts payable and other	**805.2**	409.9
Interest payable	**100.2**	109.3
Current maturities and short-term debt (Note 7)	**1,810.2**	446.4
Current liabilities of discontinued operations (Note 4)	**73.8**	79.4
	3,200.3	1,280.3
Long-Term Debt (Note 7)	**5,922.8**	5,572.3
Future Income Taxes (Note 12)	**722.8**	738.8
Non-Controlling Interests	**131.1**	126.4
Long-Term Liabilities of Discontinued Operations (Note 4)	**118.6**	128.2
	10,095.6	7,846.0
Shareholders' Equity		
Share capital		
Preferred securities (Note 8)	**339.7**	340.4
Preferred shares (Note 9)	**125.0**	125.0
Common shares (Note 9)	**1,875.9**	1,852.6
Retained earnings	**812.3**	581.3
Foreign currency translation adjustment	**7.4**	(7.7)
Reciprocal shareholding (Note 6)	**(128.2)**	(128.2)
	3,032.1	2,763.4
Commitments and Contingencies (Note 17)		
	13,127.7	10,609.4

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Approved by the Board:

Donald J. Taylor
Chair

Robert W. Martin
Director

Enbridge Inc. (Enbridge or the Company) is a leader in the transportation and distribution of energy. Enbridge conducts its business through four operating segments: Energy Transportation North, Energy Transportation South, Energy Distribution, and International. These operating segments are strategic business units established by senior management to facilitate the achievement of the Company's long-term objectives, to aid in resource allocation decisions and to assess operational performance.

Energy Transportation North

Energy Transportation North includes the operation of a common carrier pipeline and feeder pipelines in Canada, which transport crude oil and other liquid hydrocarbons, and equity investments in natural gas transmission pipelines. Other activities include gas services and an equity investment in a company engaged in natural gas gathering and processing in Canada.

Energy Transportation South

The primary operations of Energy Transportation South include transporting, gathering, processing and marketing of natural gas and natural gas liquids in the United States. Other activities include the shipment of crude oil and other liquid hydrocarbons through investments in common carrier and feeder pipelines in the United States.

Energy Distribution

The Energy Distribution business consists of gas utility operations which serve residential, commercial, industrial and transportation customers, primarily in central and eastern Ontario. This business also includes natural gas distribution activities in Quebec, New Brunswick and New York State, as well as electricity distribution in the City of Cornwall, Ontario.

International

The Company's International business invests in energy transportation and related energy projects outside of Canada and the United States. This segment also provides consulting and training services related to proprietary pipeline operating technologies and natural gas distribution.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). These accounting principles are different in some respects from United States generally accepted accounting principles (U.S. GAAP) and the significant differences are described in Note 18. Amounts are stated in Canadian dollars unless otherwise noted.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements. Actual results could differ from those estimates.

Basis of Presentation

The consolidated financial statements include the accounts of Enbridge Inc., its subsidiaries and its proportionate share of the accounts of joint ventures. Investments in entities which are not subsidiaries or joint ventures, but over which the Company exercises significant influence, are accounted for using the equity method. Other investments are accounted for at cost.

The Company's Energy Distribution business is conducted primarily through a wholly-owned subsidiary, The Consumers' Gas Company Ltd. (Enbridge Consumers Gas). The fiscal year end of Enbridge Consumers Gas is September 30 and its results are consolidated on a one quarter lag basis, which reflects the results of Enbridge Consumers Gas operations in accordance with its regulatory, tax and operating cycles. Accordingly, references to "December 31" mean the financial position of Enbridge Consumers Gas as at September 30 and references to the "year ended December 31" mean the results of Enbridge Consumers Gas for the year ended September 30.

Regulation

The Company's Energy Distribution and Energy Transportation activities are subject to regulation by various authorities, including the National Energy Board (NEB), the Federal Energy Regulatory Commission (FERC), and the Ontario Energy Board (OEB). Regulatory bodies exercise statutory authority over matters such as construction, rates and underlying accounting practices, and ratemaking agreements with customers. In order to achieve a proper matching of revenues and expenses, the timing of recognition of certain revenues and expenses in these operations may differ from that otherwise expected under generally accepted accounting principles.

Revenue Recognition

Revenues are recorded when products have been delivered or services have been performed. The Energy Transportation and Energy Distribution operations are subject to regulation and, accordingly, there are circumstances where revenues recognized do not match the cash tolls or the billed amounts. In these situations, revenue is recognized in a manner that is consistent with the underlying rate design as mandated by the regulatory authority or under the terms of enforceable, committed long-term delivery contracts.

Income Taxes

The regulated operations of the Company recover income tax expense based on the taxes payable method when prescribed by regulators for ratemaking purposes or when stipulated in ratemaking agreements. Rates do not include the recovery of future income taxes related to temporary differences. Consequently, the taxes payable method is followed for accounting purposes as there is reasonable expectation that all future income taxes will be recovered in rates when they become payable.

For all other operations, the liability method of accounting for income taxes is followed. Future income tax assets and liabilities are determined based on temporary differences between the tax basis of assets and liabilities and their carrying values for accounting purposes. Future income tax assets and liabilities are measured at the tax rate that is expected to apply when the temporary differences reverse.

Foreign Currency Translation

The functional currency of the Company's foreign operations, except for certain financing and investing operations, is the U.S. dollar. These operations are self-sustaining and translated into Canadian dollars using the current rate method. Gains and losses resulting from these translation adjustments are included as a separate component of shareholders' equity.

The Company's foreign financing and investing operations are integrated with those of the parent company and are translated into Canadian dollars using the temporal method. Gains and losses resulting from these translation adjustments are included in earnings.

Cash

Cash includes short-term and demand deposits with a maturity of three months or less and are recorded at cost.

Gas in Storage

Natural gas in storage is recorded in inventory at prices approved by the OEB in the determination of customer sales rates. The actual price of gas purchased may differ from the OEB-approved price and includes the effect of natural gas price risk management activities. The difference between the approved price and the actual cost of the gas purchased is deferred for future disposition by the OEB.

Property, Plant and Equipment

Expenditures for system expansion and major renewals and betterments are capitalized; maintenance and repair costs are expensed as incurred. Regulated operations capitalize an allowance for interest during construction at rates authorized by the regulatory authorities. When allowed by the regulator, Energy Transportation operations capitalize an allowance for equity funds used during construction, at approved rates.

Depreciation

Depreciation of property, plant and equipment generally is provided on a straight-line basis over the estimated service lives of the assets.

Future Removal and Site Restoration Costs

Depreciation expense for Energy Distribution operations includes a provision for future removal and site restoration costs at rates approved by the regulator. Actual costs incurred are charged to accumulated depreciation. Future removal and site restoration costs for the Energy Transportation businesses are not determinable and will be recognized when approved for recovery in tolls by the regulators. Accordingly, no provision has been made for removal and site restoration for these operations costs since it is expected that these costs will be recovered through future tolls.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets upon acquisition of a business and is amortized on a straight-line basis over 30 years. Effective January 1, 2002, the Company will adopt the new standard of the Canadian Institute of Chartered Accountants related to goodwill and other intangible assets. Under the new standard, goodwill will not be amortized but will be tested for impairment at least annually and written down if recorded value exceeds fair value.

Derivative Financial Instruments

Gains and losses on financial instruments used to hedge the Company's net investment in foreign operations are included in the foreign currency translation adjustment. Amounts received or paid related to derivative financial instruments used to hedge the currency risk of cash flows from U.S. dollar denominated operations are recognized concurrently with the hedged cash flows. Amounts received or paid related to derivative financial instruments used to hedge the price of energy commodities are recognized as part of the cost of the underlying physical purchases. For other derivative financial instruments used for hedging purposes, amounts received or paid, including any gains and losses realized upon settlement, are recognized over the term of the underlying hedged items.

Post-employment Benefits

The Company maintains both defined benefit and defined contribution pension plans. Pension costs and obligations for the defined benefit pension plans are determined using the projected benefit method and are charged to earnings as services are rendered, except in the Energy Distribution segment where contributions made to the plan are expensed as paid, consistent with the recovery of such costs in rates. For the defined contribution plan, contributions made by the Company are expensed as pension costs.

The Company also provides post-employment benefits other than pensions, including group health care and life insurance benefits for eligible retirees, their spouses and qualified dependants. The cost of such benefits is accrued during the years the employees render service, except for the Energy Distribution segment where the cost of providing these benefits is expensed as paid, consistent with the recovery of such costs in rates.

Stock-Based Compensation Plans

The issue of options under the Company's incentive stock option plans are treated as capital transactions for accounting purposes when the options are exercised. Accordingly, the grant of options does not give rise to compensation expense.

Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current year's financial statement presentation.

2. SEGMENTED INFORMATION

(millions of dollars)

Year ended December 31, 2001

	Energy Transportation North	Energy Transportation South	Energy Distribution	International	Corporate and Other[2]	Consolidated
Revenues	731.8	708.8	2,573.8	30.8	4.9	4,050.1
Gas costs	–	558.9	1,643.9	–	–	2,202.8
Operating and administration	284.3	71.3	343.4	25.0	15.1	739.1
Depreciation	134.9	29.2	222.1	2.5	3.8	392.5
Operating income/(loss)	312.6	49.4	364.4	3.3	(14.0)	715.7
Investment and other income	57.2	53.0	40.5	33.0	42.0	225.7
Interest and preferred equity charges	(104.0)	(28.3)	(161.7)	(0.1)	(167.4)	(461.5)
Income taxes	(72.2)	(27.7)	(49.9)	(0.6)	83.7	(66.7)
Earnings/(loss) from continuing operations	193.6	46.4	193.3	35.6	(55.7)	413.2
Earnings from discontinued operations						45.3
Earnings applicable to common shareholders						458.5

(millions of dollars)

Year ended December 31, 2000

	Energy Transportation North	Energy Transportation South	Energy Distribution	International	Corporate and Other[2]	Consolidated
Revenues	699.5	30.1	1,801.4	22.2	3.3	2,556.5
Gas costs	–	–	958.8	–	–	958.8
Operating and administration	243.9	18.5	307.8	17.8	25.0	613.0
Depreciation	156.3	7.5	214.3	0.7	8.7	387.5
Operating income/(loss)	299.3	4.1	320.5	3.7	(30.4)	597.2
Investment and other income	35.8	35.3	81.3	22.6	10.6	185.6
Interest and preferred equity charges	(106.4)	(1.9)	(166.1)	–	(137.0)	(411.4)
Income taxes	(48.2)	(14.2)	(20.4)	0.1	69.0	(13.7)
Earnings/(loss) from continuing operations	180.5	23.3	215.3	26.4	(87.8)	357.7
Earnings from discontinued operations						34.6
Earnings applicable to common shareholders						392.3

2. SEGMENTED INFORMATION (continued)

(millions of dollars)

Year ended December 31, 1999

	Energy Transportation North	Energy Transportation South	Energy Distribution[1]	International	Corporate and Other[2]	Consolidated
Revenues	573.7	25.8	2,052.2	30.3	12.0	2,694.0
Gas costs	–	–	903.1	–	–	903.1
Operating and administration	218.9	17.5	544.1	15.7	25.4	821.6
Depreciation	109.6	6.1	262.7	0.3	5.1	383.8
Operating income/(loss)	245.2	2.2	342.3	14.3	(18.5)	585.5
Investment and other income	41.4	53.3	37.2	17.3	33.2	182.4
Interest and preferred equity charges	(87.5)	(0.9)	(192.4)	(0.1)	(111.6)	(392.5)
Income taxes	(26.6)	(15.5)	(91.9)	(2.8)	49.3	(87.5)
Earnings/(loss) applicable to common shareholders	172.5	39.1	95.2	28.7	(47.6)	287.9

1 As described in Note 4, the results of discontinued operations cannot be disaggregated from continuing operations for the year ended December 31, 1999.
2 Corporate and Other includes new business development activities and non-operating investing and financing activities, including general corporate investments and financing costs not allocated to the business segments.
3 The measurement basis for preparation of segmented information is consistent with the significant accounting policies outlined in Note 1.
4 Segmented information was restated to reflect changes in the internal organization of the Company in the second and fourth quarters of 2001.

Total Assets

(millions of dollars)

December 31,	**2001**	2000
Energy Transportation North	**4,244.2**	3,961.9
Energy Transportation South[1]	**1,544.9**	291.8
Energy Distribution	**5,351.8**	4,912.9
International	**294.3**	266.0
Corporate	**769.5**	324.3
	12,204.7	9,756.9
Discontinued Operations	**923.0**	852.5
	13,127.7	10,609.4

1 Includes goodwill of $330.4 million (2000 – nil) related to operations in the United States.

Additions to Property, Plant and Equipment

(millions of dollars)

Year ended December 31,	**2001**	2000	1999
Energy Transportation North	**216.1**	85.9	361.0
Energy Transportation South	**85.9**	0.6	17.7
Energy Distribution	**302.6**	255.4	400.2
International and Corporate	**35.2**	2.0	4.8
	639.8	343.9	783.7
Discontinued Operations[1]	**43.5**	20.4	–
	683.3	364.3	783.7

1 As described in Note 4, discontinued operations cannot be disaggregated from continuing operations for the year ended December 31, 1999.

Geographic Information

(millions of dollars) Year ended December 31,	2001	2000	1999
Revenues			
Canada	**3,286.9**	2,497.0	2,643.5
United States	**736.8**	41.8	31.7
Other	**26.4**	17.7	18.8
	4,050.1	2,556.5	2,694.0

(millions of dollars) December 31,	2001	2000
Property, Plant and Equipment		
Canada	**6,630.4**	6,414.0
United States	**906.2**	140.2
Other	**10.2**	–
	7,546.8	6,554.2

Revenues are attributed to countries based on the country of origin of the product or services sold.

3. ACQUISITIONS

On May 11, 2001, the Company acquired all the outstanding shares of Midcoast Energy Resources, Inc., a Houston-based energy company, for cash consideration of $561.8 million and the assumption of long-term debt. The acquisition has been accounted for using the purchase method with the results of operations included in the consolidated financial statements from the date of acquisition. Goodwill is being amortized over 30 years.

(millions of dollars)	
Fair Value of Assets Acquired:	
Property, plant and equipment	**677.3**
Working capital	**(37.2)**
Goodwill	**328.9**
Future income taxes	**(39.0)**
Other non-current assets	**37.8**
	967.8
Purchase Price:	
Cash	**554.5**
Long-term debt assumed	**406.0**
Transaction costs	**7.3**
	967.8

In addition, the Company acquired an additional 34.03% interest in Frontier Pipeline Company for $46.0 million in December 2001, increasing the Company's ownership to 77.78%. The purchase price of the acquisition was allocated primarily to property, plant and equipment.

4. DISCONTINUED OPERATIONS

In December 2001, the Board of Directors approved a plan to sell the Company's business operations that provide energy products and services to retail and commercial customers, including the water heater rental program. The sale is expected to close in the second quarter of 2002.

Selected financial information related to discontinued operations is as follows.

4. DISCONTINUED OPERATIONS (continued)

Financial Position

(millions of dollars) December 31,	**2001**	2000
Assets		
Current assets	**123.0**	84.8
Property, plant and equipment	**584.2**	605.8
Other assets	**215.8**	161.9
	923.0	852.5
Liabilities		
Current liabilities	**73.8**	79.4
Future income taxes	**118.6**	128.2
Net Assets of Discontinued Operations	**730.6**	644.9

Earnings

(millions of dollars) Year ended December 31,	**2001**	2000
Revenues	**463.0**	388.5
Income tax expense/(recovery)	**2.5**	(15.6)
Allocated interest expense	**35.4**	38.5

Prior to October 1, 1999, the discontinued operations were part of the regulated operations of, and were not accounted for separately from the operations of, Enbridge Consumers Gas. Consequently, for the year ended December 31, 1999, the results of discontinued operations cannot be disaggregated from continuing operations.

5. PROPERTY, PLANT AND EQUIPMENT

(millions of dollars) **December 31, 2001**	**Weighted Average Depreciation Rate**	**Cost**	**Accumulated Depreciation**	**Net**
Energy Transportation North	**2.5%**	**4,260.1**	**1,516.8**	**2,743.3**
Energy Transportation South	**5.7%**	**996.2**	**90.0**	**906.2**
Energy Distribution	**3.2%**	**4,542.2**	**706.7**	**3,835.5**
Other	**10.9%**	**74.3**	**12.5**	**61.8**
		9,872.8	**2,326.0**	**7,546.8**
Discontinued Operations	**7.6%**	**943.5**	**359.3**	**584.2**
		10,816.3	**2,685.3**	**8,131.0**

(millions of dollars) December 31, 2000	Weighted Average Depreciation Rate	Cost	Accumulated Depreciation	Net
Energy Transportation North	2.6%	4,028.8	1,377.4	2,651.4
Energy Transportation South	4.8%	168.8	28.5	140.3
Energy Distribution	2.4%	4,277.6	544.0	3,733.6
Other	10.1%	39.2	10.3	28.9
		8,514.4	1,960.2	6,554.2
Discontinued Operations	7.1%	930.9	325.1	605.8
		9,445.3	2,285.3	7,160.0

6. LONG-TERM INVESTMENTS

(millions of dollars) December 31,	Ownership Interest	**2001**	2000
Equity Investments			
Energy Transportation North			
Vector Pipeline	45.0%	**472.9**	414.1
Alliance Pipeline	21.4%	**376.6**	360.9
AltaGas Services	39.5%	**181.1**	175.5
Aux Sable Liquid Products	21.4%	**124.6**	128.4
		1,155.2	1,078.9
Energy Transportation South			
Enbridge Energy Partners (formerly Lakehead Pipe Line Partners)	13.6%	**93.5**	78.8
Chicap Pipe Line	23.0%	**31.7**	31.4
Other		**–**	10.3
		125.2	120.5
Energy Distribution			
Noverco	32.1%	**33.9**	33.0
Other		**28.8**	27.4
Cost Investments			
Energy Distribution			
Noverco		**181.4**	181.4
International			
OCENSA Pipeline		**223.3**	223.3
Global Thermoelectric		**25.0**	25.0
		1,772.8	1,689.5

Consolidated retained earnings at December 31, 2001 include undistributed earnings from equity investments of $104.1 million (2000 – $114.7 million). Income from equity investments was $80.0 million in 2001 (2000 – $99.4 million, 1999 – $72.8 million) of which $53.6 million in 2001 (2000 – $47.7 million, 1999 – $29.8 million) was from the Energy Transportation North segment, $32.1 million in 2001 (2000 – $37.7 million, 1999 – $42.8 million) was from the Energy Transportation South segment and the remainder was from Energy Distribution.

Equity investments include $208.1 million (2000 – $206.4 million) representing the unamortized excess of the purchase price over the underlying net book value of the investee's assets at the date of purchase. The excess has been allocated to property, plant and equipment, on the basis of estimated fair values, and is being amortized over the economic life of the assets.

In 2001, Enbridge Energy Partners (Partnership) completed two public issues of additional Partnership Units. As the Company elected not to participate in these offerings, its effective interest in the Partnership was reduced to 13.6% from 15.3%. This resulted in recognition of a dilution gain of $23.4 million, before tax.

Noverco holds an approximate 10% reciprocal shareholding in the Company. As a result, the Company has a pro-rata interest of 3.2% in its own shares (2000 – 3.2%). Both the equity investment in Noverco Inc. and shareholders' equity have been reduced by the reciprocal shareholding of $128.2 million (2000 – $128.2 million).

7. DEBT

(millions of dollars)

December 31,	Maturity	2001	2000
Energy Transportation North			
Debentures, 8.2% – 10.8%	2008-2024	**300.0**	378.3
Medium term notes, 5.60% – 8.45%	2005-2029	**622.3**	702.2
Other[1]		**150.1**	50.3
Energy Transportation South			
Senior term notes (U.S. $275.0 million), 8.1% weighted average rate at December 31, 2001 and 2000	2005-2007	**397.8**	397.8
Variable rate credit facilities[2]		**877.8**	400.0
Energy Distribution			
Debentures, 9.85% – 11.95%	2003-2024	**635.0**	685.0
Medium term notes, 4.61% – 8.55%	2002-2028	**1,105.0**	1,065.0
Other[1]		**9.5**	111.5
Corporate			
Debentures[3]	2001	**–**	178.1
Medium term notes, 5.05% – 7.22%	2002-2032	**1,927.9**	1,220.8
Preferred securities, 7.8% weighted average rate (Note 8)	2048	**10.3**	9.6
Other[1]		**1,697.3**	820.1
Total Debt		**7,733.0**	6,018.7
Current maturities of long-term debt		**325.0**	426.0
Commercial paper and other short-term debt		**1,485.2**	20.4
Current Maturities and Short-Term Debt		**1,810.2**	446.4
Long-Term Debt		**5,922.8**	5,572.3

1 Primarily comprised of commercial paper borrowings. Includes U.S. $470.2 million (2000 – U.S. $134.2 million).
2 Includes U.S. $300.0 million (2000 – nil).
3 Includes 9.4% debentures of nil (2000 – U.S. $130.0 million).

Commercial paper in the amount of $840.0 million (2000 – $950.0 million) is supported by the availability of long-term committed credit facilities and has been classified as long-term debt.

Long-term debt maturities for the years ending December 31, 2002 through 2006 are $325.0 million, nil, $450.0 million, $1,008.6 million and $400.0 million, respectively.

Included in Corporate debt are $150.0 million (2000 – $70.5 million) commercial paper swapped to a weighted average fixed interest rate of 3.8% (2000 – 5.9%) and $400.0 million (2000 – $400.0 million) variable rate debt swapped to a weighted average fixed interest rate of 4.4% (2000 – 5.9%). Cancellable Corporate medium-term notes totalling $40.0 million (2000 – $230.0 million) have been swapped to a weighted average fixed interest rate of 5.8% (2000 – 5.7%). In Energy Transportation South, the $397.8 million (2000 – $397.8 million) senior term notes were subject to a cross currency swap resulting in a weighted average interest rate of 7.4% (2000 – 7.4%) and $140.0 million (2000 – nil) variable rate credit facilities were swapped to a weighted average fixed interest rate of 5.5%. Other debt in Energy Transportation North includes $25.4 million (2000 – $25.4 million) commercial paper swapped to a weighted average fixed interest rate of 6.0% (2000 – 6.0%).

Interest Expense

(millions of dollars)

Year ended December 31,	**2001**	2000	1999
Long-term debt	**345.0**	375.2	360.1
Commercial paper and other short-term debt	**85.8**	1.5	22.7
Short-term borrowings	**12.2**	18.5	14.9
Capitalized	**(5.9)**	(6.0)	(17.1)
	437.1	389.2	380.6

Short-term borrowings, which primarily finance gas in storage and other working capital items, are comprised of commercial paper with maturities of less than one year. Commercial paper in the amount of $200.0 million (2000 – $409.4 million) was swapped to a weighted average fixed interest rate of 5.7% (2000 – 6.1%).

In 2001, total interest paid was $452.2 million (2000 – $372.0 million; 1999 – $399.5 million).

Credit Facilities

(millions of dollars)

December 31, 2001	Committed	Uncommitted	Drawdowns
Energy Transportation North	150.0	–	–
Energy Transportation South (U.S. $300 million)	477.8	–	477.8
Energy Distribution	301.1	308.0	19.0
Corporate	2,350.0	–	994.2
	3,278.9	308.0	1,491.0

Committed facilities carry a weighted average standby fee of 0.095% per annum on the unutilized portion. The committed facilities for Energy Transportation North and Energy Distribution expire in 2002 and are extendible annually subject to the approval of the lenders. The committed facilities for Corporate expire in 2002, 2005 and 2006 and are extendible annually thereafter subject to the approval of the lenders. Drawdowns under these facilities bear interest at prevailing market rates.

8. PREFERRED SECURITIES

During 1999, the Company completed public offerings of $175 million of 7.6% and $175 million of 8.0% Preferred Securities, for net proceeds of $338.5 million. The Preferred Securities may be redeemed at the Company's option in whole or in part after the fifth anniversary of each issue. The Company has the right to defer, subject to certain conditions, payments of distributions on the securities for a period of up to 20 consecutive quarterly periods. Deferred and regular distribution amounts are payable in cash or, at the option of the Company, in common shares of the Company. Since the distributions may be settled through the issuance of common shares at the Company's option, the Preferred Securities are classified into their respective debt and equity components. The equity component of the Preferred Securities is $339.7 million at December 31, 2001 (2000 – $340.4 million).

9. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares of no par value and an unlimited number of preferred shares.

9. SHARE CAPITAL (continued)

Common Shares

(millions of dollars; number of common shares in millions)	2001		2000		1999	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Balance at beginning of year	**161.8**	**1,852.6**	156.3	1,677.2	155.7	1,659.8
Dividend Reinvestment and Share Purchase Plan	**0.2**	**7.2**	0.2	7.2	0.2	6.6
Issued to Noverco	**–**	**–**	0.6	19.7	–	–
Shares issued for investment in AltaGas Services	**–**	**–**	–	–	0.2	7.1
Public issue	**–**	**–**	4.5	143.9	–	–
Other	**0.9**	**16.1**	0.2	4.6	0.2	3.7
Balance at end of year	**162.9**	**1,875.9**	161.8	1,852.6	156.3	1,677.2

Preferred Shares

The 5,000,000 5.5% Cumulative Redeemable Preferred Shares, Series A are entitled to fixed, cumulative, preferential dividends of $1.375 per share per year, payable quarterly. On or after December 31, 2003, the Company may, at its option, redeem all or a portion of the outstanding preferred shares for $26.00 per share if redeemed on or prior to December 1, 2004; $25.75 if redeemed on or prior to December 1, 2005; $25.50 if redeemed on or prior to December 1, 2006; $25.25 if redeemed on or prior to December 1, 2007; and at $25.00 per share if redeemed thereafter, in each case with all accrued and unpaid dividends to the redemption date.

Earnings Per Common Share

Earnings per common share is calculated by dividing net income applicable to common shareholders by the weighted average number of common shares outstanding. The weighted average number of shares outstanding has been reduced by the Company's pro-rata weighted average interest in its own common shares of 5.2 million shares (2000 – 5.1 million shares), resulting from the investment in Noverco.

Diluted earnings per share using the treasury stock method is calculated using an adjusted weighted average number of common shares outstanding which reflects the exercise of stock options.

(number of common shares in millions) December 31,	2001	2000	1999
Basic weighted average shares outstanding	**157.3**	154.5	151.0
Effect of dilutive securities			
Fixed stock options	**1.5**	0.8	0.6
Diluted weighted average shares outstanding	**158.8**	155.3	151.6

Dividend Reinvestment and Share Purchase Plan

The Company has a Dividend Reinvestment and Share Purchase Plan. Under the plan, registered shareholders may reinvest dividends in common shares of the Company or make optional cash payments to purchase additional common shares, in either case free of brokerage or other charges.

Shareholder Rights Plan

The Company has a Shareholder Rights Plan designed to encourage the fair treatment of shareholders in connection with any takeover offer for the Company. Rights issued under the plan become exercisable when a person, and any related parties, acquires or announces its intention to acquire 20% or more of the Company's outstanding common shares without complying with certain provisions set out in the plan or without approval of the Board of Directors of the Company. Should such an acquisition or announcement occur, each rights holder, other than the acquiring person and related parties, will have the right to purchase common shares of the Company at a 50% discount to the market price at that time.

10. STOCK OPTION PLAN

The Company's Incentive Stock Option Plan (1999) includes fixed stock options and performance-based stock options. A maximum of 12 million common shares is reserved for issuance under the plan.

Fixed Stock Options

Full-time, key employees are granted options to purchase common shares that are exercisable at the market price of common shares at the date the options are granted. Generally, options vest in equal annual installments over a four-year period and expire ten years after the issue date. Outstanding stock options will expire over a period ending no later than July 25, 2011.

Outstanding Options

(options in thousands; exercise price in dollars)	**2001**		2000		1999	
	Number	**Weighted Average Exercise Price**	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Number of shares under option at beginning of year	**4,112**	**26.76**	3,116	26.63	2,415	23.33
Options granted	**2,024**	**30.11**	1,360	26.74	888	34.45
Options exercised	**(843)**	**19.27**	(179)	19.85	(115)	15.35
Options cancelled or expired	**(173)**	**34.47**	(185)	31.17	(72)	30.25
Number of shares under option at end of year	**5,120**	**29.06**	4,112	26.76	3,116	26.63
Options vested	**2,853**		1,757		1,421	

Option Characteristics

December 31, 2001	**Options Outstanding**			**Options Vested**	
Exercise Price Range	**Number (000's)**	**Weighted Average Remaining Life (years)**	**Weighted Average Exercise Price**	**Number (000's)**	**Weighted Average Exercise Price**
12.44 to 20.00	942	5.05	16.99	942	16.99
20.01 to 30.00	1,700	7.43	26.14	1,051	25.77
30.01 to 40.10	2,478	7.97	35.72	860	33.52
	5,120			2,853	

10. STOCK OPTION PLAN (continued)

Performance-Based Options

The plan provides for the granting of performance-based options to executive management with vesting based upon the performance of the Company's common stock price. The options become exercisable, as to 50% of the grant, when the market price of a common share exceeds $40.00 per share for 20 consecutive trading days during the period January 20, 1998 to December 31, 2002. If the share price exceeds $45.00 for 20 consecutive trading days prior to December 31, 2002, the remaining options will become exercisable. The performance-based options expire on January 1, 2003 but will extend to January 20, 2006 for options which become exercisable before December 31, 2002. On August 24, 2001, 740,000 options vested.

(options in thousands; exercise prices in dollars)	**2001**		2000	
	Number	**Weighted Average Exercise Price**	Number	Weighted Average Exercise Price
Number of shares under option at beginning of year	**1,480**	**31.60**	1,480	31.60
Options granted	**65**	**41.13**	–	–
Options exercised	**–**	**–**	–	–
Options cancelled	**(66)**	**31.35**	–	–
Number of shares under option at end of year	**1,479**	**32.03**	1,480	31.60

11. FINANCIAL INSTRUMENTS

Derivative Financial Instruments Used for Risk Management

The Company is exposed to movements in the U.S./Canadian dollar exchange rate, interest rates and the price of energy commodities, primarily natural gas. In order to manage these exposures for both shareholders and ratepayers, the Company utilizes derivative financial instruments to create offsetting positions to specific exposures. These instruments are not used for speculative purposes.

These instruments require the Company to exchange with counterparties the difference between fixed and variable amounts, calculated by reference to specific foreign exchange rates, interest rates, or energy commodity price indices, based on a notional principal amount or notional energy commodity quantity. The notional amounts are not recorded in the financial statements as they do not represent amounts exchanged by the counterparties.

Derivative financial instruments involve credit and market risks. Credit risk arises from the possibility that a counterparty will default on its contractual obligations and is limited to those contracts where the Company would incur a loss in replacing the instrument. The Company minimizes credit risk by entering into risk management transactions only with creditworthy institutions that possess investment grade credit ratings or with approved forms of collateral. For transactions with terms greater than five years, the Company may also retain the right to require a counterparty, who would otherwise meet the Company's credit criteria, to provide collateral.

Foreign Exchange

The Company has an exposure to the U.S./Canadian dollar exchange rate, primarily because of its investments in U.S. operations where both carrying values and earnings are subject to foreign exchange risks. The Company utilizes par forward contracts and cross currency swaps to manage a portion of the foreign exchange exposure. In addition, cross currency swaps have been entered into to hedge the Company's exposure on its U.S. dollar denominated debt. Forward foreign exchange contracts are used to match the effect of translating Canadian dollar denominated monetary financing held by an integrated U.S. subsidiary.

Interest Costs

To hedge against the effect of future interest rate movements on its short to long-term borrowing requirements, the Company enters into forward interest rate agreements, swaps and collars.

Energy Commodity Costs

The Company's commodity price risk exposure arises from holding inventory and purchase and sale commitments. The Company uses over-the-counter commodity price swaps, futures, options and collars to manage exposure to natural gas and natural gas liquids prices.

Natural Gas Supply Management

The Company hedges a portion of the cost of future natural gas supply requirements for the Enbridge Consumers Gas operations, as allowed by the regulator. Amounts paid or received under the hedge agreements are recognized as part of the cost of the natural gas purchases and are recovered through the ratemaking process. At December 31, 2001, the Company had entered into natural gas price swaps and options to manage the price for approximately 19.1%, or 36 billion cubic feet, of its forecast fiscal 2002 system gas supply.

Fair Values

The fair values of derivatives have been estimated using year-end market rates. These fair values approximate the amount that the Company would receive or pay to terminate the contracts at December 31.

(millions of dollars)

December 31,	**2001**			2000		
	Notional Principal or Quantity	**Fair Value (Payable)/ Receivable**	**Maturity**	Notional Principal or Quantity	Fair Value (Payable)/ Receivable	Maturity
Foreign exchange						
Cross currency swaps	**535.8**	**26.3**	**2005-2022**	713.9	26.9	2001-2022
Forwards (cumulative exchange amounts)	**2,416.7**	**(142.0)**	**2002-2022**	2,222.0	(44.9)	2001-2022
Energy commodities						
Natural gas (bcf)	**74.4**	**(41.1)**	**2002-2006**	3.8	2.9	2001-2006
Natural gas supply management (bcf)	**36.0**	**(37.1)**	**2002**	8.9	13.9	2001
Interest rates						
Interest rate swaps	**955.4**	**(12.7)**	**2002-2029**	1,167.0	(2.8)	2001-2029
Forward interest rate swaps	**600.0**	**(6.5)**	**2002**	–	–	

As the Company does not settle hedging instruments in advance of the hedged transactions, there were no gains or losses deferred for any of the Company's hedges of anticipated transactions at December 31, 2001 and 2000. Credit risk amounted to $77.3 million at December 31, 2001 with no significant concentration with any single counterparty.

Fair Values of Other Financial Instruments

The fair value of financial instruments, other than derivatives, represents the amounts that would have been received from or paid to counterparties, calculated at the reporting date, to settle these instruments. The carrying amount of all financial instruments classified as current approximates fair value because of the short maturities of these instruments. The estimated fair values of all other financial instruments are based on quoted market prices or, in the absence of specific market prices, on quoted market prices for similar instruments and other valuation techniques.

11. FINANCIAL INSTRUMENTS (continued)

The carrying amounts of all financial instruments, except as shown below, approximate fair value.

(millions of dollars)

December 31,	2001		2000	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Total Debt				
Energy Transportation North	**1,072.4**	**1,116.8**	1,130.8	1,176.2
Energy Transportation South	**1,275.6**	**1,310.6**	847.8	822.1
Energy Distribution	**1,749.5**	**1,956.6**	1,861.5	2,064.6
Corporate	**3,635.5**	**3,655.6**	2,178.6	2,222.6
	7,733.0	**8,039.6**	6,018.7	6,285.5

Trade Credit Risk

Trade receivables related to Energy Transportation consist primarily of amounts due from companies operating in the oil and gas industry and are collateralized by the crude oil and other products contained in the Company's pipelines and storage facilities. Credit risk of the remaining operating segments is reduced by the large and diversified customer base and, for rate-regulated operations, the ability to recover an estimate for doubtful accounts through the ratemaking process. Included in accounts receivable is an allowance for doubtful accounts of $29.9 million at December 31, 2001 (2000 – $15.3 million).

12. INCOME TAXES

Effective January 1, 2000, the Company adopted the new recommendations for accounting for income taxes. The recommendations have been adopted retroactively without restatement of the prior years' results. The new standard does not impact the accounting for income taxes for the wholly-owned rate-regulated operations of the Company, which use the taxes payable basis.

Under the new recommendations, income taxes for non-regulated operations are accounted for using the liability method. Adoption of the new recommendations resulted in a charge to retained earnings of $112.0 million, of which $76.1 million related to the unbundled rental assets, $22.4 million related to the tax effect of differences between the carrying amount of investments and their respective tax basis, and the remaining $13.5 million related to other non-regulated assets. In addition, the tax effect of differences between the assigned and underlying values of identifiable assets in prior years' business combinations resulted in an increase of $430.1 million in property, plant and equipment. These adjustments, along with the recharacterization of deferred credits and a regulated receivable related to a future income tax liability to be recovered from the ratepayers (specific to the unbundling transaction), resulted in a cumulative adjustment of $634.1 million in future income tax liabilities.

Geographic Components of Pre-tax Earnings and Income Taxes

(millions of dollars)

Year ended December 31,	2001	2000	1999
Earnings before income taxes			
Canada	**340.9**	273.3	236.5
United States	**103.8**	73.3	102.7
Other	**59.6**	47.0	48.1
Continuing operations	**504.3**	393.6	387.3
Discontinued operations	**47.8**	19.0	–
	552.1	412.6	387.3

(millions of dollars)

Year ended December 31,	**2001**	2000	1999
Current income taxes			
Canada	**44.4**	129.4	62.3
United States	**8.9**	(4.5)	13.5
Other	**10.0**	5.9	6.2
Continuing operations	**63.3**	130.8	82.0
Discontinued operations	**20.1**	24.4	–
	83.4	155.2	82.0
Future income taxes			
Canada	**(9.0)**	(112.4)	(3.4)
United States	**12.4**	(4.7)	8.9
Continuing operations	**3.4**	(117.1)	5.5
Discontinued operations	**(17.6)**	(39.9)	–
	(14.2)	(157.0)	5.5
Continuing operations	**66.7**	13.7	87.5
Discontinued operations	**2.5**	(15.6)	–
	69.2	(1.9)	87.5

Components of Future Income Taxes

(millions of dollars)

December 31,	**2001**	2000
Future Income Tax Liabilities		
Differences in accounting and tax bases of PP&E	**640.0**	699.7
Undistributed equity income	**31.1**	28.4
Other	**154.5**	56.5
	825.6	784.6
Future Income Tax Assets		
Loss carryforwards	**232.1**	147.8
Other	**12.7**	8.4
	244.8	156.2
Total Net Future Income Tax Liability	**580.8**	628.4

Accumulated future income taxes related to rate-regulated operations which have not been recorded in the accounts amounted to $506.3 million at December 31, 2001 (2000 – $561.9 million). Had the liability method been prescribed by the regulatory authorities for ratemaking purposes, such amounts would have been recorded and recovered in revenues to date.

At December 31, 2001, the Company has recognized the benefit of unused tax loss carryforwards of $660.9 million. Unused tax loss carryforwards expire as follows: 2002 – $0.5 million; 2003 – $1.9 million; 2004 – $11.9 million; 2005 – $48.1 million 2006 – $135.0 million; 2007 – $185.9 million and 2008 and beyond – $277.6 million.

12. INCOME TAXES (continued)

Income Tax Rate Reconciliation

(millions of dollars)

Year ended December 31,	**2001**	2000	1999
Earnings before income taxes	**552.1**	412.6	387.3
Combined statutory income tax rate	**41.0%**	43.3%	44.6%
Income taxes at statutory rate	**226.3**	178.8	172.7
Increase/(decrease) resulting from:			
Tax rate reductions on future income tax balances	**(67.5)**	(103.7)	–
Future income taxes related to regulated operations	**(35.7)**	(40.9)	(37.1)
Non-taxable items, net	**(28.2)**	(31.0)	(48.7)
Lower foreign tax rates	**(36.8)**	(21.0)	(16.0)
Income taxes recoverable related to prior years	**(5.4)**	0.3	1.6
Large Corporations Tax in excess of surtax	**18.8**	16.1	14.4
Other	**(2.3)**	(0.5)	0.6
Income taxes	**69.2**	(1.9)	87.5
Continuing operations	**66.7**	13.7	87.5
Discontinued operations	**2.5**	(15.6)	–
	69.2	(1.9)	87.5
Effective income tax rate	**12.5%**	–	22.6%

In 2001, income taxes paid amounted to $110.5 million (2000 – $114.7 million; 1999 – $79.6 million).

13. POST-EMPLOYMENT BENEFITS

Pension Plans

The Company has three pension plans which provide either defined benefit or defined contribution pension benefits or both for the employees of the Company. The Energy Transportation North pension plan provides non-contributory defined benefit pension and/or defined contribution benefits to employees. The Energy Transportation South pension plan provides non-contributory defined benefit pension benefits to employees and contributory defined contribution pension benefits. The Enbridge Consumers Gas pension plan provides contributory defined benefit pension and/or defined contribution benefits to the majority of employees of the Energy Distribution segment.

Defined Benefit Plans

Retirement benefits under defined benefit plans are based on the employees' years of service and remuneration. Contributions to the plans made by the Company are made in accordance with independent actuarial valuations and are invested primarily in publicly traded equity and fixed income securities. The most recent actuarial valuation was performed as of January 1, 2001.

Pension costs under the defined benefit pension plans reflect management's best estimates of the rate of return on pension plan assets, rate of salary increases and various other factors including mortality rates, terminations and retirement ages. Adjustments arising from plan amendments, actuarial gains and losses, and changes to assumptions are amortized over the expected average remaining service lives of the employees.

Defined Contribution Plans

Contributions are generally based on the employee's age and/or years of service. For the Energy Transportation South pension plan, contributions to the defined contribution plans are also based on employee contributions. For defined contribution pension benefits, pension expense equals amounts required to be contributed by the Company.

Post-employment Benefits Other than Pensions

Post-employment benefits other than pensions (OPEB) include supplemental health, dental and life insurance coverage for qualifying retired employees.

(millions of dollars)	**2001 OPEB**	2000 OPEB	**2001 Pension Benefit**	2000 Pension Benefit
Change in benefit obligation				
Benefit obligation, January 1	**113.5**	119.4	**651.2**	634.0
Service cost	**3.7**	3.5	**20.4**	18.0
Interest cost	**8.0**	7.7	**45.4**	43.3
Amendments	**2.8**	(0.1)	**22.1**	0.7
Employee contributions	**0.3**	0.2	**4.1**	5.3
Actuarial (gain)/loss	**6.4**	(15.0)	**38.2**	(19.2)
Benefits paid	**(4.7)**	(2.9)	**(44.0)**	(32.9)
Effect of exchange rate changes	**2.3**	0.7	**5.3**	2.0
Benefit obligation, December 31	**132.3**	113.5	**742.7**	651.2
Fair value of plan assets				
Fair value of plan assets, January 1	**23.8**	20.0	**1,218.8**	1,034.0
Actual return on plan assets	**2.3**	1.0	**(122.9)**	206.8
Employer's contributions	**6.4**	5.0	**9.4**	0.9
Employee contributions	**0.3**	0.2	**4.1**	5.3
Benefits paid	**(4.7)**	(2.9)	**(44.0)**	(32.9)
Other	**–**	–	**–**	–
Effect of exchange rate changes	**1.5**	0.5	**11.3**	4.7
Fair value of plan assets, December 31	**29.6**	23.8	**1,076.7**	1,218.8
Asset/(Liability)				
Plan assets in excess/(deficiency) of projected benefit obligations	**(102.7)**	(89.7)	**334.0**	567.6
Unrecognized prior service cost	**3.6**	0.9	**25.6**	7.2
Unrecognized plan surplus	**46.3**	52.1	**–**	–
Unrecognized net (gain)/loss	**2.8**	(4.3)	**(119.7)**	(383.6)
Recorded asset/(liability)	**(50.0)**	(41.0)	**239.9**	191.2

13. POST-EMPLOYMENT BENEFITS (continued)

Net Pension Plan and OPEB Costs

(millions of dollars)

Year ended December 31,	**2001**	2000	1999
Benefits earned during the year	**26.3**	23.0	24.9
Interest cost on projected benefit obligations	**55.2**	51.1	49.5
Expected return on plan assets	**(93.7)**	(76.2)	(66.4)
Amortization and deferral of unrecognized amounts	**(6.8)**	(8.9)	(2.2)
Amount credited to the Partnership	**5.5**	6.5	3.0
Pension and OPEB (credit)/expense	**(13.5)**	(4.5)	8.8

The above tables reflect the funded status, recorded pension and OPEB assets and liabilities and pension and OPEB expense for all of the Company's benefit plans on an accrual basis. However, in accordance with its ability to recover employee benefit costs on a pay-as-you-go basis for the regulated operations of Enbridge Consumers Gas, the Company records the cost of such benefits on a cash basis. Using the cash basis for the Enbridge Consumers Gas plans, and using the accrual method for the other plans, the Company's pension expense totalled a net credit of $4.0 million (2000 – $2.7 million credit; 1999 – $9.4 million expense) for continuing operations and a net credit of $2.4 million (2000 – $2.1 million credit) from discontinued operations. The pension asset for continuing operations was $64.8 million (2000 – $38.8 million) and the pension asset for discontinued operations was $4.3 million (2000 – $2.1 million). The Company's OPEB expense totalled $5.9 million (2000 – $5.6 million; 1999 – $2.0 million) for continuing operations and the OPEB expense for discontinued operations was $1.0 million (2000 – $0.9 million). The OPEB liability was $6.8 million (2000 – $4.6 million) for continuing operations and $1.9 million (2000 – $0.9 million) for discontinued operations.

Economic Assumptions

The assumptions made in the measurement of pension expense and the projected benefit obligation or asset of the pension plans and OPEB were as follows.

Year ended December 31,	**2001**	2000	1999	**2001**	2000	1999
	OPEB	OPEB	OPEB	**Pension Benefits**	Pension Benefits	Pension Benefits
Discount rate	**7.0-7.5%**	7.0-7.5%	6.5-7.5%	**6.75-7.5%**	7.0-7.5%	6.3-7.5%
Average rate of salary increases				**4.0%**	4.0%	4.0-4.5%
Average rate of return on pension plan assets				**7.75-8.0%**	7.75-8.0%	7.5-8.0%
Medical cost trend rate	**4.5-11.0%**	4.5-6.8%	4.5-6.8%			
Dental cost trend rate	**4.5-6.0%**	4.5-6.0%	4.5-6.0%			

A 1% change in the assumed medical and dental care trend rate would result in a $22.9 million change in the accumulated post-employment benefit obligations and a $2.4 million change in OPEB expense.

14. INVESTMENT AND OTHER INCOME

(millions of dollars) Year ended December 31,	**2001**	2000	1999
Equity investments	**80.0**	99.4	72.8
Cost investments	**51.9**	44.4	40.5
Short-term investments	**16.3**	14.7	13.5
Allowance for equity funds used during construction	**3.9**	2.7	9.9
Loss on foreign currency contracts	**–**	(24.5)	–
Gain on reduction of Partnership ownership interest	**23.4**	–	18.2
Other	**50.2**	48.9	27.5
	225.7	185.6	182.4

15. CHANGES IN OPERATING ASSETS AND LIABILITIES

(millions of dollars) Year ended December 31,	**2001**	2000	1999
Accounts receivable and other	**(864.3)**	(65.3)	(67.2)
Gas in storage	**(145.8)**	(144.7)	(17.3)
Deferred amounts	**(77.6)**	(195.8)	(109.3)
Accounts payable and other	**493.1**	(132.8)	63.8
Interest payable	**(9.1)**	23.2	(1.8)
	(603.7)	(515.4)	(131.8)

Changes in accounts payable exclude changes in construction payables which relate to investing activities.

16. RELATED PARTY TRANSACTIONS

Enbridge Energy Partners, L.P. does not have any employees and uses the services of the Company for managing and operating its business. These services, which are charged at cost in accordance with service agreements, amounted to $56.2 million (2000 – $46.7 million; 1999 – $50.9 million). Accounts payable include $0.3 million due to the Partnership (2000 – $2.3 million).

17. COMMITMENTS AND CONTINGENCIES

Enbridge Consumers Gas

The remediation of discontinued manufactured gas plant sites may result in future costs. The probable overall cost of remediation cannot be determined at this time due to uncertainty about the existence or extent of environmental risks, the complexity of laws and regulations, particularly with respect to sites decommissioned years ago and no longer owned by Enbridge Consumers Gas, and the selection of alternative remediation approaches. Although there are no known regulatory precedents in Canada, there are precedents in the United States for recovery in rates of costs of a similar nature. If Enbridge Consumers Gas must contribute to any remediation costs, it would be generally allowed to recover in rates those costs not recovered through insurance or by other means and believes that the ultimate outcome of these matters would not have a significant impact on its financial position.

In April 1994, an action was commenced against Enbridge Consumers Gas in the Ontario Court of Justice (General Division) by a customer claiming that the OEB-approved late payment penalties charged to customers were contrary to Canadian federal law and seeking certification of the action as a class action. The claim sought $112.0 million in "restitutionary payments" and other relief and was brought on behalf of all people who were customers of Enbridge Consumers Gas and who had paid or been charged for late payment penalties since April 1, 1981. The action has not been certified by the Court as a class proceeding although the Class Proceedings Committee established under the Ontario Class Proceedings Act, 1992 decided that it would fund the action.

17. COMMITMENTS AND CONTINGENCIES (continued)

In February 1995, the Ontario Court of Justice (General Division) issued a judgment on a threshold issue in favour of Enbridge Consumers Gas dismissing the class action lawsuit. The Court concluded that the late payment charge is not interest payable on a credit transaction, but is an incentive to customers to pay their bills by a certain date. The Court held that Section 347 of the Criminal Code of Canada, which deals with interest on credit transactions, did not apply. An appeal by the plaintiff from this decision was dismissed by the Ontario Court of Appeal in September 1996. The plaintiff was granted leave to appeal to the Supreme Court of Canada from the decision of the Court of Appeal. The appeal was heard by the Supreme Court of Canada in March 1998 and the decision of the Court was issued in October 1998. The Court allowed the appeal, set aside the summary judgment dismissing the action, and remitted the action back to the Ontario Court of Justice (General Division) for proceedings in accordance with the Ontario Class Proceedings Act, 1992. Further motions for summary judgment and related matters were argued during March 2000. In April 2000, the Court released Reasons for Decision in which it dismissed the plaintiff's claim. In May 2000, the plaintiff filed a Notice of Appeal with the Ontario Court of Appeal. The appeal was heard in March 2001 and the Court of Appeal dismissed the appeal in a judgment released on December 3, 2001. Counsel to the plaintiff has indicated that an application for leave to appeal the decision of the Ontario Court of Appeal will be made to the Supreme Court of Canada. The Company will oppose any such application as the Company believes that it has sound defences to the plaintiff's claim and it intends to vigorously defend the action.

Enbridge Energy Partners

Enbridge Energy Company, Inc. (EEC), which holds the Company's 13.6% equity interest in the Partnership, has agreed to indemnify the Partnership from and against substantially all liabilities, including liabilities relating to environmental matters, arising from operations prior to the transfer of its pipeline operations to the Partnership in 1991. This indemnification does not apply to amounts that the Partnership would be able to recover in its tariff rates if not recovered through insurance, or to any liabilities relating to a change in laws after December 27, 1991. In addition, in the event of default, EEC, as the General Partner, is subject to recourse with respect to a portion of the Partnership's long-term debt which amounted to U.S. $447 million at December 31, 2001.

18. UNITED STATES ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with Canadian GAAP. The significant differences between Canadian GAAP and U.S. GAAP are described below.

Earnings and Comprehensive Income

(millions of dollars except per share amounts)

Year ended December 31,	**2001**	2000	1999
Earnings under Canadian GAAP	**482.9**	414.5	299.8
Preferred securities distributions[1]	**(17.5)**	(15.3)	(5.0)
Stock-based compensation[2]	**(15.2)**	–	–
Tax effect of the above adjustments	**6.1**		
Future income tax recovery/(expense)[3]	**92.8**	(182.8)	–
Earnings under U.S. GAAP	**549.1**	216.4	294.8
Unrealized net losses on cash flow hedges[5]	**(150.8)**	–	–
Foreign currency translation adjustment[5]	**15.1**	16.2	(14.8)
Comprehensive income	**413.4**	232.6	280.0
Basic earnings per share	**3.45**	1.36	1.91
Diluted earnings per share	**3.41**	1.35	1.90

Financial Position

(millions of dollars)

December 31,	2001		2000	
	Canada	**United States**	Canada	United States
Cash[4]	**74.0**	**71.3**	66.5	66.5
Accounts receivable and other[4]	**1,419.1**	**1,462.4**	663.3	599.3
Property, plant and equipment[4]	**9,872.8**	**9,845.3**	8,514.4	8,487.9
Accumulated depreciation[4]	**2,326.0**	**2,323.1**	1,960.2	1,958.0
Long-term investments[4]	**1,772.8**	**1,801.6**	1,689.5	1,721.9
Deferred amounts[3,4]	**254.0**	**1,267.1**	153.2	1,203.1
Accounts payable and other[4]	**805.2**	**1,048.7**	409.9	347.4
Long-term debt[1]	**5,922.8**	**6,302.7**	5,572.3	5,912.7
Future income taxes[3,5]	**580.8**	**1,494.9**	628.4	1,916.1
Preferred securities[1]	**339.7**	**–**	340.4	–
Retained earnings	**812.3**	**781.2**	581.3	466.5
Employee benefits[2]	**–**	**15.2**	–	–
Foreign currency translation adjustment/(debit)[5]	**7.4**	**29.4**	(7.7)	14.3
Accumulated other comprehensive income/(loss)[5]	**–**	**(150.8)**	–	–

1 Preferred Securities
Under U.S. GAAP, the Company's Preferred Securities and related distributions would be recognized as debt and interest expense, respectively. The carrying amount of the equity component, when classified as long-term debt under U.S. GAAP, has a fair market value of $335.2 million at December 31, 2001 (2000 – $343.6 million).

2 Stock-Based Compensation
The Company has accounted for stock-based compensation for U.S. GAAP purposes in accordance with APB 25, "Accounting for Stock Issued to Employees," resulting in 9.1 million (2000 - nil) of compensation expense net of tax.

If the company had used the fair value method described in SFAS No. 123, Accounting for Stock-Based Compensation, additional after tax compensation expense of $4.6 million (2000 - $2.6 million) would be recognized. On a pro forma basis, U.S. GAAP earnings would have been $544.5 million (2000 - $213.8 million), basic earnings per share 1999 is not materially different from compensation expense measured under APB 25.

The weighted average grant-date fair value of options granted during 2001 under the fixed option plan is $10.09 (2000 - $7.80). The significant assumption used to calculate fair value include a risk-free interest rate of 5.382% (2000 - 5.410%) expected life of 10 years (2000 - 10 years), expected volatility of 25% (2000 - 25%) and expected quarterly dividends of $0.38 (2000 - $0.35).

3 Future Income Taxes
Under Canadian GAAP, the effect of tax rate reductions are recognized when they are substantively enacted. Under U.S. GAAP, the effect of tax rate reductions cannot be recognized until enacted. In 2000, the Company recognized $92.8 million of earnings related to substantively enacted tax rate reductions that are recognized in 2001 under U.S. GAAP. In 2000, future income taxes of $76.5 million, related to the unbundling transaction and charged to retained earnings under Canadian GAAP as part of the adoption of the new income tax standard, are charged to earnings as a write-down of the regulatory asset under U.S. GAAP.

Under U.S. GAAP, deferred income tax liabilities are recorded for regulated operations which follow the taxes payable method for ratemaking purposes. As these deferred income taxes are recoverable in future revenues, a corresponding regulatory asset is also recorded. These assets and liabilities reflect changes in enacted income tax rates. The additional deferred income taxes under U.S. GAAP include the difference between capital cost allowance and depreciation of property, plant and equipment of $574.4 million (2000 – $638.7 million) and the incremental revenue required for the recovery of unrecorded taxes of $370.5 million (2000 – $479.5 million).

4 Accounting for Joint Ventures
Under U.S. GAAP, the Company's investments in joint ventures are accounted for using the equity method.

5 Accumulated Other Comprehensive Income
At December 31, 2001, accumulated other comprehensive income consisted of an accumulated foreign currency translation adjustment of $29.4 million (2000 – $14.3 million) and net unrealized losses of $150.8 million (2000 – nil) on derivative financial instruments that qualify for cash flow hedge accounting under U.S. GAAP..

18. UNITED STATES ACCOUNTING PRINCIPLES (continued)

New Accounting Standards

Business Combinations and Goodwill and Other Intangible Assets

The Financial Accounting Standards Board (FASB) issued SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*, in June 2001. Under SFAS 141, all business combinations initiated after June 30, 2001 must be accounted for using the purchase method. SFAS 142 changes, among other things, the accounting for intangible assets with indefinite lives and goodwill from an amortization method to an impairment-only approach. This requires prospective application with effect from January 1, 2002. The Company will also be required to perform an initial benchmark test of impairment within six months of adoption as well as subsequent annual tests of impairment.

The Company recorded $328.9 million goodwill upon the acquisition of Midcoast Energy Resources, Inc. on May 11, 2001. This goodwill was being amortized over 30 years. Earnings for the year ended December 31, 2001 include a $7.2 million charge for amortization of goodwill from the date of acquisition. Goodwill amortization will cease commencing January 1, 2002 and the impact, if any, related to the benchmark impairment test has not been determined.

Accounting for Asset Retirement Obligations

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*, which must be adopted in years beginning after June 15, 2002. This standard requires legal obligations associated with the retirement of long-lived tangible assets to be recognized at fair value. The Company is required to adopt the new standard effective January 1, 2003. The Company is determining the impact of this new standard on its financial position and results of operations.

Accounting for the Impairment or Disposal of Long-Lived Assets

In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which is effective for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. This standard superceded SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of*, and consequently amends APB Opinion No. 30, *Reporting Results of Operations – Reporting the Effects of Disposal of a Segment of a Business*.

The standard requires an impairment to be recognized on long-lived assets when expected undiscounted cash flows are less than the carrying amount. The impairment would be calculated as the carrying amount less the fair value of the assets. The value of long-lived assets to be disposed of by sale is measured at the lower of the carrying amount or fair value less selling costs. That requirement eliminates APB 30's requirement that discontinued operations be measured at net realizable value. It also requires that earnings from discontinued operations between the measurement date and the disposal date be excluded from the net gain/loss on disposal. The Company will adopt the new standard effective January 1, 2002. The Company expects this standard will have no impact on its financial statements.

SUPPLEMENTARY INFORMATION
(unaudited)

Selected Quarterly Financial Data

(millions of dollars, except per share amounts)

2001	**First**	**Second**	**Third**	**Fourth**	**Total**
Operating revenue from continuing operations	**752.5**	**1,597.5**	**997.5**	**702.6**	**4,050.1**
Operating income from continuing operations	**166.4**	**353.5**	**115.2**	**80.6**	**715.7**
Earnings applicable to common shareholders					
Continuing operations	**79.8**	**245.3**	**58.4**	**29.7**	**413.2**
Discontinued operations	**3.7**	**25.1**	**6.4**	**10.1**	**45.3**
	83.5	**270.4**	**64.8**	**39.8**	**458.5**
Earnings per common share					
Continuing operations	**0.51**	**1.56**	**0.37**	**0.19**	**2.63**
Discontinued operations	**0.02**	**0.16**	**0.04**	**0.06**	**0.28**
	0.53	**1.72**	**0.41**	**0.25**	**2.91**
Dividends per common share	**0.3500**	**0.3500**	**0.3500**	**0.3500**	**1.4000**

2000	First	Second	Third	Fourth	Total
Operating revenue from continuing operations	611.0	1,007.1	547.9	390.5	2,556.5
Operating income from continuing operations	146.7	299.6	114.8	36.1	597.2
Earnings applicable to common shareholders					
Continuing operations	79.4	191.3	42.7	44.3	357.7
Discontinued operations	3.2	2.4	3.1	25.9	34.6
	82.6	193.7	45.8	70.2	392.3
Earnings per common share					
Continuing operations	0.52	1.26	0.26	0.29	2.32
Discontinued operations	0.03	0.01	0.02	0.15	0.22
	0.55	1.27	0.28	0.44	2.54
Dividends per common share	0.3025	0.3225	0.3225	0.3225	1.2700

Quarterly Share Trading Information

The Toronto Stock Exchange

2001 *(dollars)*	**First**	**Second**	**Third**	**Fourth**
High	**43.00**	**42.50**	**43.24**	**45.55**
Low	**33.90**	**35.55**	**39.02**	**40.89**
Close	**42.35**	**41.19**	**42.55**	**43.40**
Volume *(millions)*	**20.7**	**17.7**	**13.3**	**16.0**

2000 *(dollars)*	First	Second	Third	Fourth
High	29.85	34.40	34.75	44.00
Low	23.00	29.45	31.00	33.50
Close	29.45	31.05	34.60	43.70
Volume *(millions)*	23.6	15.5	12.7	16.4

The NASDAQ National Market and New York Stock Exchange[1]

2001 *(U.S. dollars)*	**First**	**Second**	**Third**	**Fourth**
High	**28.63**	**27.20**	**27.50**	**28.77**
Low	**22.25**	**23.00**	**25.50**	**26.05**
Close	**26.69**	**27.14**	**26.94**	**27.22**
Volume *(thousands)*	**189**	**286**	**511**	**660**

2000 *(U.S. dollars)*	First	Second	Third	Fourth
High	20.50	23.13	23.60	28.88
Low	16.00	19.25	21.50	21.75
Close	20.50	20.31	22.88	28.63
Volume *(thousands)*	244	121	83	85

1 Effective October 30, 2001, Enbridge Inc. began trading on the New York Stock Exchange and delisted from the NASDAQ.

Financial and Operating Information[1]

(millions of dollars, except per share amounts)

Earnings by Segment	**2001**	2000	1999	1998	1997
Energy Transportation North	**193.6**	180.5	172.5	120.1	83.7
Energy Transportation South	**46.4**	23.3	39.1	33.2	33.4
Energy Distribution[2]	**193.3**	215.3	95.2	93.5	124.6
International	**35.6**	26.4	28.7	24.3	16.1
Corporate and Other	**(55.7)**	(87.8)	(47.6)	(30.2)	(40.5)
Continuing operations	**413.2**	357.7	287.9	240.9	217.3
Discontinued operations[3]	**45.3**	34.6	–	–	–
Earnings applicable to common shareholders	**458.5**	392.3	287.9	240.9	217.3
Cash Flow Data					
Cash provided from operating activities	**133.9**	263.5	495.1	312.4	437.8
Expenditures on property, plant and equipment	**683.3**	364.3	783.7	1,388.4	651.4
Dividends paid on common shares	**227.5**	202.1	186.4	168.3	147.1
Operating Data					
Energy Transportation[4]					
Deliveries *(thousands of barrels per day)*	**2,196**	2,164	2,023	2,136	2,083
Barrel miles *(billions)*	**699**	743	696	771	771
Average haul *(miles)*	**872**	941	946	989	1,014
Energy Distribution					
Distribution volume *(billion cubic feet)*	**427**	421	402	397	428
Number of active customers *(thousands)*	**1,571**	1,520	1,466	1,414	1,362
Degree day deficiency[5] *(degrees Celsius)*					
Actual	**3,743**	3,569	3,460	3,352	4,011
Forecast based on normal weather	**3,816**	3,929	4,060	4,079	4,003

1 Certain comparative amounts have been reclassified to conform with the current year's basis of presentation.
2 The highlights of the Energy Distribution activities reflect the results of Enbridge Consumers Gas and other gas distribution assets on a quarter lag basis of consolidation.
3 As described in Note 4 to the financial statements, the results of discontinued operations can not be disaggregated from continuing operations prior to 2000.
4 Energy Transportation operating highlights include the statistics of the 13.6% owned portion of the mainline system located in the United States.
5 Degree day deficiency is a measure of coldness. It is calculated by accumulating for each day in the fiscal period the total number of degrees by which the daily mean temperature fell below 18 degrees Celsius. The figures given are those accumulated in the Toronto area.

Shareholder and Investor Information

(per share amounts in dollars)

	2001	2000	1999	1998	1997
Average common shares outstanding weighted monthly during the year *(thousands)*	**157,297**	154,469	150,995	145,448	137,808
Number of registered common shareholders at year end	**7,832**	8,265	8,877	9,207	10,036
Common Share Trading (TSE) [1]					
High	**45.55**	44.00	36.33	35.70	32.85
Low	**33.90**	23.00	28.60	28.95	19.53
Close	**43.40**	43.70	28.65	35.25	32.70
Volume *(millions)*	**67.6**	68.2	51.8	61.5	55.3
Per Common Share Data					
Earnings applicable to common shareholders					
Continuing operations	**2.63**	2.32	1.91	1.66	1.58
Discontinued operations	**0.28**	0.22	–	–	–
	2.91	2.54	1.91	1.66	1.58
Cash provided from operating activities	**0.85**	1.71	3.28	2.15	3.18
Dividends paid on common shares	**1.400**	1.270	1.195	1.120	1.060
Financial Ratios					
Return on average shareholders' equity [2]	**18.6%**	18.6%	14.3%	13.8%	14.2%
Return on average capital employed [3]	**7.3%**	7.2%	6.6%	6.6%	7.0%
Debt to debt plus shareholders' equity [4]	**71.2%**	67.8%	67.4%	69.7%	67.7%
Debt to total capital employed	**66.3%**	61.6%	63.7%	64.8%	62.5%
Earnings coverage of interest [5]	**2.2x**	2.0x	2.0x	2.0x	2.4x
Dividend payout ratio [6]	**48.1%**	50.0%	62.6%	67.5%	67.1%

1 Data for 2001 and 2000 are for The Toronto Stock Exchange only. Prior year data include the Toronto and Montreal stock exchanges.
2 Earnings applicable to common shareholders divided by average common equity (weighted monthly during the year).
3 Sum of earnings (including earnings from discontinued operations), minority interest and after-tax interest expense divided by average capital employed (weighted monthly during the year). Capital employed is equal to the sum of shareholders' equity, non-controlling (minority) interests, future income taxes, deferred credits, and total debt (excluding short-term borrowings which finance gas in storage).
4 Total long-term debt (including current portion) divided by the sum of total long-term debt, shareholders' equity and a portion of non-controlling interests.
5 Sum of earnings before income taxes, minority interest and interest expense, divided by interest expense. Includes earnings from discontinued operations.
6 Dividends per common share divided by total earnings per share applicable to common shareholders.

Common and Preferred Shares
The Common Shares of Enbridge Inc. trade in Canada on The Toronto Stock Exchange and in the United States on the New York Stock Exchange under the trading symbol "ENB". The Preferred Shares, Series A, of Enbridge Inc. trade in Canada on The Toronto Stock Exchange under the trading symbol "ENB.PR.A".

Registrar and Transfer Agent in Canada
CIBC Mellon Trust Company
199 Bay Street,
Commerce Court West
Securities Level
Toronto, Ontario M5H 1G9
Telephone: (416) 643-5000
Toll free: (800) 387-0825
Internet: www.cibcmellon.com
CIBC Mellon Trust Company also has offices in Halifax, Montreal, Winnipeg, Calgary, and Vancouver.

Co-Registrar and Co-Transfer Agent in the United States
Mellon Investor Services
85 Challenger Road
Overpeck Centre
Ridgefield Park, NJ, 07660 U.S.A.
Toll free: (800) 526-0801

Preferred Securities
Enbridge Preferred Securities, Series B, C and D trade in Canada on The Toronto Stock Exchange under the trading symbols "ENB.PR.B", "ENB.PR.C" and "ENB.PR.D", respectively. The registrar and transfer agent is Computershare Canada (formerly Montreal Trust Company).

Debentures
The registrar and trustee for Enbridge Debentures is Computershare Canada (formerly Montreal Trust Company) – Montreal, Toronto, Winnipeg, Edmonton and Vancouver.

Auditors
PricewaterhouseCoopers LLP

Shareholder Inquiries
If you have inquiries regarding the following:
- Dividend Reinvestment and Share Purchase Plan
- change of address
- share transfer
- lost certificates
- dividends
- duplicate mailings

Please contact the registrar and transfer agent – CIBC Mellon Trust Company in Canada or Mellon Investor Services in the United States.

Other Investor Inquiries
If you have inquiries regarding the following:
- additional financial or statistical information
- industry and company developments
- latest news releases or investor presentations

Please contact Enbridge Investor Relations or visit Enbridge's web site at **www.enbridge.com.**

Investor Relations
Manager, Investor Relations
Enbridge Inc.
3000, 425 - 1st Street S.W.
Calgary, Alberta, Canada T2P 3L8
Toll free: (800) 481-2804

Annual Meeting
The Annual and Special Meeting of Shareholders will be held in the Frontenac Ballroom at the Westin Harbour Castle Hotel, Toronto, Ontario, at 1:30 p.m. EDT on Friday, May 3, 2002.

Form 40-F
The Company files annually with the Securities and Exchange Commission of the United States a report known as the Annual Report on Form 40-F. Copies of the Form 40-F are available, free of charge, upon written request to the Corporate Secretary of the Company.

Dividend Reinvestment and Share Purchase Plan, and Dividend Direct Deposit
Enbridge Inc. offers a Dividend Reinvestment and Share Purchase Plan that enables shareholders to reinvest their cash dividends in Common Shares and to make additional cash payments for purchases at the market price. The Company also offers Dividend Direct Deposit which enables shareholders to receive dividends by electronic fund transfer to the bank account of their choice in Canada. Details may be obtained from the Investor Information section of the Enbridge web site at www.enbridge.com, or by contacting CIBC Mellon Trust Company at any of the locations listed above.

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2002 Dividend Information for Common Shares and Preferred Shares, Series A

	1st Q	2nd Q	3rd Q	4th Q
Record date	Feb. 13	May 17	Aug. 9	Nov. 20
Payment date	March 1	June 1	Sept. 1	Dec. 1
Common Share Dividend Reinvestment Plan (DRIP) enrolment cut-off date	Feb. 6	May 10	Aug. 1	Nov. 13
Common Share Purchase Plan cut-off date, for DRIP	Feb. 22	May 27	Aug. 26	Nov. 25

(cheques can be post-dated to the payment date)

Le présent document est disponible en français.

CORPORATE INFORMATION

BOARD OF DIRECTORS

David A. Arledge
Company Director
Houston, Texas

James J. Blanchard
Senior Partner
Verner, Liipfert, Bernhard,
McPherson and Hand, Attorneys
Washington, D.C.

J. Lorne Braithwaite
Company Director
Toronto, Ontario

Patrick D. Daniel
President & Chief Executive Officer
Enbridge Inc.
Calgary, Alberta

E. Susan Evans
Company Director
Calgary, Alberta

William R. Fatt
Chief Executive Officer
Fairmont Hotels & Resorts Inc.
Toronto, Ontario

Richard L. George
President and Chief Executive Officer
Suncor Energy Inc.
Calgary, Alberta

Michel Gourdeau
Executive Vice President
– Natural Gas Sector
Hydro-Québec
Montreal, Quebec

Louis D. Hyndman
Senior Partner
Field Atkinson Perraton,
Barristers & Solicitors
Edmonton, Alberta

Brian F. MacNeill
Chairman
Petro-Canada
Calgary, Alberta

Robert W. Martin
Company Director
Toronto, Ontario

George K. Petty
Business Consultant
San Luis Obispo, California

Donald J. Taylor
Chair
Enbridge Inc.
Jacksons Point, Ontario

SENIOR MANAGEMENT

Patrick D. Daniel
President & Chief Executive Officer

Mel F. Belich
Group Vice President,
International

J. Richard Bird
Group Vice President,
Transportation North

Bonnie D. DuPont
Group Vice President,
Corporate Resources

Stephen J.J. Letwin
Group Vice President,
Distribution & Services

Derek P. Truswell
Group Vice President
& Chief Financial Officer

Dan C. Tutcher
Group Vice President,
Transportation South

Stephen J. Wuori
Group Vice President,
Planning & Development

Electronic voting and document delivery

Enbridge was the first Canadian company to introduce electronic proxy solicitation and voting for registered shareholders, and electronic document delivery, in 2000. In 2001 we extended that service to both registered and beneficial shareholders and we are doing so again this year.

We recognize that many shareholders prefer this sort of "electronic packaging". It is fast, cost-effective, and a growing trend. It also fits with Enbridge's service culture approach, and our strategy of using technology to lower costs and improve overall service.

Of course we will continue to provide printed copies of the proxy, Management Information Circular and annual report for those shareholders who prefer that format, so you have a choice. But we now also offer electronic proxy solicitation and voting as another option for registered and beneficial shareholders.

We provide other information electronically, too. You are invited to visit our Investor Information web site, at www.enbridge.com/investor where you will find a wealth of financial information such as recent investor presentations, frequently asked questions, financial data – and the current annual report and Management Information Circular, in electronic formats.

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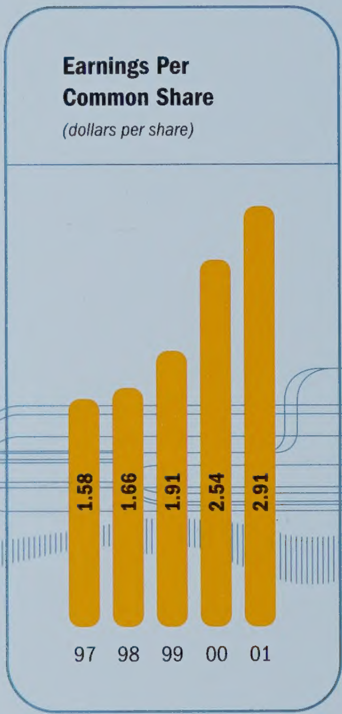
Annual growth in earnings per share has averaged 16.5% since 1997.



Enbridge common shares trade on The Toronto Stock Exchange in Canada and on the New York Stock Exchange in the U.S. under the symbol "ENB".

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